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# China

## *A Guide for Canadian Business*

Department of Foreign Affairs  
and International Trade  
in cooperation with  
The Canada China Business Council





# FOREWORD

This guide was prepared in early 1994 by the East Asia Trade Division of the Department of Foreign Affairs and International Trade, in cooperation with the Canada China Business Council and with input from our posts in China, other government departments and academia.

The guide does not claim to provide all the information needed to do business in China; it attempts to outline some basics on the Chinese business environment, as well as to provide guidance on obtaining more detailed assistance and support. The seasoned "China-hand" may find also that the guide contains useful reference information.

Economic development in China presents Canada with tremendous business opportunities and challenges. We hope this guide will assist you in your quest to open the door to the China market.

East Asia Trade Division  
Department of Foreign Affairs & International Trade

May 1994



AYA-2313

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# FACT SHEET

**Geography:** The land area of China is 9.6 million square kilometres, which makes it the world's third largest country.

**Capital City:** Beijing (formerly known as Peking)

**Population:** 1.2 billion (1.4 percent growth rate)

**Gross National Product:** \$U.S. 367.13 billion (1993)

**Currency:** Yuan (Renminbi) = Cdn. \$0.23 (1994)

**Official Language:** Mandarin Chinese, also known as Putonghua, is the official language and taught in all schools. English is sometimes spoken by those having frequent contact with foreign businesspeople and other visitors. There are many other Chinese dialects and minority languages.

**System of Government:** The Chinese Government is headed by a president, by the National People's Congress, and by a state council (cabinet). Although elections are held, the Communist Party effectively controls them and all policy decisions. China is a unitary centralized state but is divided for administrative purposes into twenty-two provinces, five minority autonomous regions and three directly administered cities.

## Foreign Trade:

Total Merchandise Exports: U.S. \$91.76 billion (1993)


Total Merchandise Imports: U.S. \$103.95 billion (1993)

Imports from Canada: Cdn. \$1.52 billion (1993)

Exports to Canada: Cdn. \$3.09 billion (1993)

Major Imports from Canada: wheat, forest products, mechanical equipment, electrical equipment, plastics, and fertilizers.

Major Exports to Canada: clothing, toys and games, leather goods, footwear, mechanical equipment, oil seeds



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# I. THE COUNTRY

China is the world's third largest country, with 3.7 million square miles, and by far its most populous, with more than 1.2 billion people. China's national language is Mandarin (or Putonghua), but many other dialects are spoken. In addition, more than 50 minority nationalities (e.g., Zhuang, Tibetan, Mongol, Manchu, Miao, and Hui) have, in varying degrees, their own languages and customs. About 70 percent of China's population is rural and engaged in agriculture, however, the country's eastern seaboard rapidly is becoming industrialized. China has immense natural resources, especially minerals, energy, and a largely under-utilized labour force.

## **Domestic Political Situation**

Since the end of the Cultural Revolution in 1976 and under the leadership of Deng Xiaoping, China has pursued a course of internal economic reforms, while at the same time attempting to integrate itself into the global economy. These actions have brought economic progress to hundreds of millions of Chinese, chiefly through the encouragement of small-scale private enterprise and through widespread agricultural reforms that have restored a system based on household farming.

In the late 1980s, although no fundamental political reforms occurred, China witnessed a considerable relaxation of the political atmosphere: obligatory participation by citizens in political activities was scaled down, and there was a general reduction in the intrusiveness of the state into people's day-to-day existence. This shift in attitudes, as well as further exposure by the Chinese people to the outside world, led to increased demands for political accountability and an end to official corruption. A clash between the government and the people, which climaxed at Tiananmen Square in 1989, resulted in the resumption of stricter government control. However, as China progresses into the '90s, its society is becoming increasingly pluralistic.

Since mid-1993, China has focused its efforts on cooling the overheated economy plagued by double-digit inflation and a poorly regulated financial system. In November of '93, the Party Plenum, the annual planning session of the ruling Communist Party, called for the development of a modern enterprise and market system through the reform of the banking, taxation, planning and investment sectors. The resolution of the Plenum set out markers for "a socialist market economy," but did not resolve the issues of tax regularization and distribution, nor the growing disparities in regional and urban/rural incomes.

Fundamentally, however, the political system in China is not flexible enough to accommodate the social changes and political stresses which will be brought about if all the proposals in the '93 Plenum are implemented. Accordingly, in order to meet the challenges of the next century, the country's leaders must identify what they consider to be the most essential features of China's current political system and consider how to balance them with the country's continuing need for foreign capital, technology and development assistance.

## **Characteristics of the PRC Market**

China's Eighth Five-Year Plan, (1991-1995), the ruling party's current central-planning document, projects economic growth of over six percent for the period. In actual fact, China experienced double-digit growth during the first three years of the plan; projections indicate that this rapid expansion will continue throughout the five-year period. The plan places heavy emphasis on China's agriculture and infrastructure growth, especially in the energy and transportation sectors. As well, the substantial upgrading of existing industrial enterprises has been given high priority. Noteworthy is the encouragement given to those in industry and agriculture to assume more responsibility for production planning and use of profits.

PRC trade traditionally has been conducted by several sector-oriented foreign trade corporations (FTCs) controlled by the Chinese Government. Formerly, the

FTCs negotiated export and import contracts on behalf of end users on a virtually exclusive basis. Since 1978, however, policies aimed at creating a more flexible and efficient trade system have resulted in a more decentralized system from which new organizations at the ministerial, provincial and municipal levels have emerged. Many of these have the ability to engage in foreign trade, independent of central government control. This devolution of authority was accelerated in 1988 by the creation of six new corporations to implement specific projects, while the policy and planning was left with the ministries. Some of these new corporations also have authority to make commercial agreements independent of the traditional foreign trade apparatus.

China is many markets, not one. Recent market analysis suggests that Canadian companies should look closely at regional Chinese markets and compare them to Asia's other mid-range economies. These studies suggest concentration on six regional markets: Northeast (Heilongjiang, Jilin and Liaoning), Greater Beijing (Hebei, Beijing, Tianjin and Shandong), Central Provinces (Shaanxi, Henan, Hubei, Anhui, Hunan and Jiangxi), Southwest (Sichuan), Greater Shanghai (Shanghai, Jiangsu and Zhejiang), and Greater Guangdong (Guangdong, Fujian and Hainan). Each of these regions has a population of more than 100 million and a gross domestic product exceeding U.S. \$20 billion. The regions of Guangdong, Shanghai and Beijing play the leading role. The Central Provinces have lower per capita incomes, but population density promises good returns in the consumer markets of the future in some sectors. Sichuan has a high population (110 million), but its low income and remoteness mean it will also be a market for the future. However, even in these two regions, there are many good opportunities in urban areas and in infrastructure development.

On the whole, China's approach to economic development including entrepreneurship and foreign economic relations, combined with the country's rich natural and human resources, has made it an attractive

trading partner for many countries. Canadian exporters can successfully tap the China market if they are price- and quality-competitive, prepared for sometimes lengthy negotiations, and committed for the long term.



## II. CHINA'S FOREIGN POLICY, TRADE AND INVESTMENT

### Foreign Policy

For forty years, China's foreign policy has been broadly based on the following key themes:

- maintenance of a balance between the U.S. and the U.S.S.R.;
- economic and technological cooperation with the West;
- the maintenance of China's status as a regional power;
- an expanded role in international organizations;
- previous active Chinese support for revolution in the Third World has been replaced by a pragmatic approach to cooperation with developing countries.

Resumption of party-to-party links with Russia in 1989, and the initiation of discussions on the PRC-Russia border dispute, have improved the relationship with Moscow. As well, Russia-China trade has increased, although both countries are more interested in acquiring Western technology and capital.

The isolation of China by the West following the suppression of the 1989 pro-democracy movement at Tiananmen, allowed the PRC to move closer to its capital-rich, archrivals Taiwan and South Korea. However, given China's development needs and its important status, both globally and as a regional power, neither China's leaders nor the West wish to see the PRC remain isolated. This has been reflected by the improving relationship between Canada and China.

Diplomatic relations between Canada and the People's Republic of China were initially established in 1970. Relations are characterized by important economic cooperation and regular bilateral high-level contact.

## China's Accession to the GATT

The centrepiece of China's trade policy remains its well organized strategy for reentering the GATT. However, even the most dedicated of reformers concede that China's domestic market and industries need substantial protection for a number of years. China can therefore be expected to negotiate in multilateral and bilateral forums with the primary goal of securing access to foreign markets while arguing that China, as a developing economy, needs an extended transition period to reach GATT norms.

China's stated goal is to accede to the GATT as an original member of the World Trade Organization (WTO) by January 1995. However, working party members have not come to a consensus on the precise terms that must be met by Chinese reforms in order for China to accede. Canada strongly supports China's accession, but would like to include Uruguay Round agreements on services and intellectual property rights among the terms.

Generally, the reforms which must be undertaken before China can meet the conditions outlined by GATT working party members include: elimination of import prohibitions, restrictive licensing requirements and other controls or restrictions; lifting of all restrictions on access to foreign exchange and full convertibility of the Chinese currency; full liberalization of domestic prices to reflect actual costs of production; uniform application and enforcement of laws and regulations in all regions, to all imports, from all countries; and uniform and fair application of standards and measures based on internationally accepted scientific principles.

## Foreign Trade

China is steadily becoming an important world trader; in 1991 for example, PRC exports topped two percent of global totals for the first time. The latest figures place China's world trade at U.S. \$195.71 billion (1993), made up of U.S. \$91.76 billion (up from \$9.8 billion in 1978) in exports and U.S. \$103.95 billion (\$10.9 billion in 1978) in imports. Also in 1992, China was the world leader in sales of several traditional products, including pig bristles, tungsten, fireworks, and tea. Over the last decade, PRC trade (imports and exports) as a percentage of GDP (gross domestic product) has risen from 10 percent in 1978 to 38 percent in 1992.

Notwithstanding the strained political relationship following the Tiananmen tragedy, Canada's commercial relations with China have boomed. China is currently Canada's fifth largest trading partner — a larger partner than all of South America or Eastern Europe and the Middle East combined. Canada currently exports more to China than all of Central America, including Mexico, for a total of Cdn. \$1.5 billion in 1993. Two-way trade was Cdn. \$3.6 billion in 1991 and Cdn. \$4.6 billion in 1992. However, Canada's overall exports to China decreased by 25 percent in 1993, due primarily to a 65 percent reduction in wheat sales caused by record Chinese crops and Canadian supply constraints. Strong growth in overall exports to China is expected to resume as our wheat supply stabilizes and other exports play a larger role. For example, Canadian non-cereal exports grew by 25 percent in 1993, and fully manufactured exports were up more than 50 percent to over Cdn. \$500 million. Many of China's import and infrastructure requirements correspond to Canada's prime export strengths, especially in areas such as power generation, telecommunications, petrochemicals, transportation, and agricultural products and technology.

In order to further develop Canada's trading relationship with the PRC, the Canadian Department of Foreign Affairs and International Trade Canada (DFAIT) maintains a team of trade commissioners at the Canadian Embassy in Beijing, the Consulate General in Shanghai, and at the Commission for Canada in Hong Kong which covers the South China region. By the end of 1994, a trade office will be established in Guangzhou. The staff at the Embassy, Consulate General, and Commission is available to assist Canadian exporters with their export initiatives in China. Canada's trade commissioners can provide knowledge of Chinese business practises and language, economic trends, and contacts with the foreign trade agencies in the PRC. To promote China's exports to Canada, the PRC maintains commercial sections at its Embassy in Ottawa and Consulates General in Vancouver and Toronto. Canada extends substantial export credits to China, and our development assistance program administered by the Canadian International Development Agency (CIDA) remains among our largest, globally.

## PRC Trade with the World \*

	PRC Imports from ... 1992 U.S. \$ million	% of total PRC Imports
Hong Kong	20,538.08	25.48
Japan	13,680.72	16.97
U.S.A.	8,899.84	11.04
Taiwan	5,880.98	7.30
Germany	4,023.00	4.99
Russia	3,526.08	4.37
South Korea	2,623.16	3.25
<b>Canada</b>	<b>1,926.56</b>	<b>2.39</b>
Italy	1,748.06	2.17
Australia	1,671.25	2.07
France	1,496.48	1.86
Singapore	1,236.27	1.53
United Kingdom	1,013.63	1.26
The Netherlands	508.20	0.63
Thailand	423.99	0.53
<b>World Total</b>	<b>80,610.13</b>	<b>100.00</b>

\* The figures in this chart are based on Chinese statistics which tend to overestimate PRC imports and underestimate PRC exports, discounting entrepot trade through Hong Kong. However inconsistent with other sources, the figures presumably reflect Canada's position vis-a-vis our competitors in the China market.

PRC Exports to ... 1992 U.S. \$ million	% of total PRC Exports
37,512.19	44.13
11,699.37	13.76
8,593.73	10.11
698.04	0.82
2,447.99	2.88
2,336.32	2.75
2,437.45	2.87
<b>653.20</b>	<b>0.77</b>
1,095.15	1.29
660.81	0.78
763.51	0.90
2,030.84	2.39
922.81	1.09
1,200.26	1.41
894.81	1.05
<b>71,910.17</b>	<b>100.00</b>

Recent studies on the composition and direction of Chinese trade and investment flows have suggested the following conclusions:

- Over the next few years, China is likely to continue its imports of grain, industrial raw materials and components, agricultural chemicals and certain building materials, while significantly increasing imports of machinery, vehicles and technical equipment in priority sectors such as energy, mining, transportation, light industrial production and education.
- While the PRC balance of trade in 1992 resulted in a surplus of U.S. \$4.3 billion, the PRC balance is likely to return to a deficit in subsequent years. Attempts will be made to limit the deficit by promoting exports of foodstuffs, light industrial goods (especially textiles), machinery, chemicals, and metals. Energy (oil and coal) previously made up a significant part of Chinese exports, but this has declined in recent years due to rising domestic demand.
- The developed nations, especially Japan, the United States, Germany, and Canada continue to dominate PRC trade, primarily as import sources. In 1992, these four nations represented more than 31 percent of combined imports and exports. China will attempt to balance this by aggressive export marketing in the Third World, with some parallel import (raw materials) diversification from these regions. Asia and the Middle East will probably continue to be significant growth areas for China. Trade with former Communist states especially Russia has been growing strongly. Hong Kong will continue to remain a major entrepot for China trade.

## **Special Economic Zones and Coastal Cities**

In 1979, to speed up regional development of specific areas and to experiment on a small scale with



foreign investment, the Chinese government created four special economic zones (SEZs): Shenzhen, Zhuhai, Shantou and Xiamen. In these areas, potential investors are offered special preferential treatment including tax holidays, access to imported parts and foreign exchange, freedom to hire expatriate staff and relative freedom to hire and fire labour. In 1984, China added fourteen coastal cities, as well as Hainan Island, to the four existing special economic zones with similar preferential treatment.

In 1988, Hainan Island became a province and a "super-special zone," with free-port conditions extended to foreign entrepreneurs along with the right to buy land. Although Hainan offers many opportunities to foreign investors, there is presently very little infrastructure or industrial base. Firms from Hong Kong and Japan have shown keen interest in developing Hainan's infrastructure.

China's push to attract foreign investment capital will continue to be a top priority. In 1992 alone, the SEZs attracted U.S. \$2 billion, while the 14 coastal cities attracted over U.S. \$5 billion in foreign direct investment largely from Hong Kong, Taiwan, the U.S.A., and Southeast Asia. The priorities for foreign direct investment are the development of import substitutions and export-oriented industries. Wholly foreign-owned firms are allowed in SEZs and have been relatively more successful than joint ventures in turning out high-quality exportable goods. Canadian presence in the SEZs has, to date, been limited.

## **Foreign Investment in China**

In 1978, China embarked on an economic modernization program that saw it become one of the first socialist countries to welcome foreign investment. Between 1979 and 1992, over U.S. \$116 billion (U.S. \$34 billion actually invested and paid for) of foreign investment contracts were signed with China, in the form of some 90,000 foreign-invested enterprises. In 1992, the export volume of foreign-funded enterprises was believed to total U.S. \$17.4 billion, or roughly 20 percent of China's total.

The largest amount of overseas investment has been in the energy sector. The real estate sector accounts for the next largest amount of foreign investment.

The single largest source of foreign investment is Hong Kong, from where over U.S. \$21 billion of investment has flowed into the PRC, primarily to the Special Economic Zones (SEZs) in the Pearl River Delta. The United States and Japan are distant second and third sources, representing roughly U.S. \$3 to \$4 billion investment each. An interesting development is the remarkable surge of investment from Taiwan since 1988. Conservative estimates place this figure at U.S. \$2 billion, although this represents only a fraction of actual interest by Taiwan in the PRC. It is believed that Taiwan firms will, in the future, dominate plastic and petrochemical development in the PRC, while Hong Kong will continue to be a major force in textiles, electronics and light industry.

Foreign investment is viewed by the Chinese government as a low-cost method of building up the national economy by gaining technology, management expertise and foreign exchange through exports. Consequently it is strongly encouraged. Foreign investment enterprises that introduce new technology or export the majority of its production are favoured by special tax treatment or other preferences.

## **Canadian Investment in China**

According to Chinese statistics, between 1979 and 1992, Canada signed with China 581 investment contracts worth a total of U.S. \$831 million. Canadian firms active in China include Northern Telecom, Harris Farinon, Semi-Tech Microelectronics, Alcan Aluminum, Seagram, and Babcock and Wilcox Canada.

China offers both export and investment opportunities for Canadian firms. For some, outward investment is a key to longer term strategic positioning in China, by allowing a company to gain local market knowledge and reducing the overall foreign exchange

requirements. Most Canadian investment has taken the form of joint ventures with Chinese partners.

A Canadian company new to the Chinese market may wish to take advantage of China's low labour costs by having goods produced to order by a Chinese manufacturer. This will allow them to source product for export without incurring the expense of a major investment. However, there are many other ways for a Canadian company to make an investment in China. Foreign investment can take a number of forms, including processing and assembly agreements, compensation trade, wholly foreign-owned enterprises, joint ventures and technology transfers. These are discussed in further detail in section III, *Business Opportunities*.

Although the investment climate in China is difficult and any potential foreign investor must approach this market with caution, it is possible to enter into a profitable venture. The foreign investment legal framework is constantly evolving and the pace of change in China is rapid. It is recommended therefore that China-knowledgeable lawyers and accountants be consulted. There are several located in Canada; a few Canadian lawyers and accountants can be found in Hong Kong, Shanghai and Beijing. The need for expert advice before embarking on any form of investment with the Chinese must not be underestimated.

## **China's New Tax Reform**

China launched a major reform of its tax system effective from 1 January 1994, which is the most significant change to the system since its establishment four decades ago.

The main aim of the reform is to rationalise the tax system rather than to increase tax revenue. As a result, many of the new tax rates are the same or even lower than the previous ones. Rationalisation of the system has been achieved mainly through unifying and simplifying the tax structure to make it more equitable. This will reduce distortion in economic decision-making, loopholes for evasion, and the administrative costs of tax remittance

and collection. It will also put different types of enterprises (i.e., domestic and foreign, state and non-state) on a more equal footing in terms of taxation, thus facilitating fairer competition and the development of market forces. Increasing transparency in China's tax regime will facilitate the country's integration into the global trading community, including the GATT and the World Trade Organization (WTO).

The tax reform will have a range of impacts on foreign business. Over the longer term, the greater uniformity and rationality of the new system will improve China's economic prospects and investment environment and therefore be favourable to foreign business. More immediate, however, are certain effects on the operation and profitability of foreign business, such as:

- The new individual income tax will increase the cost of highly compensated expatriates but should reduce domestic labour costs.
- The profit tax rate for foreign enterprises will be retained. However, domestic enterprises will now enjoy the same rate as foreign enterprises and hence may provide greater competition to them.
- The Consolidated Industrial and Commercial Tax (CICT) affecting foreign businesses in China will be replaced by the new Value-added Tax (VAT), Consumption Tax and Business Tax. The change will increase the burden of indirect tax of some foreign businesses but reduce that of others. Chinese officials claim that about 30 percent of existing foreign businesses will face higher taxes, but has promised to rebate these extra taxes for up to five years.
- The Land Value Appreciation Tax will greatly discourage foreign investment in real estate because it does not make allowances for inflation, the duration of ownership and double taxation (in addition to profit tax).
- Some old taxes affecting foreign business are likely to be increased such as those on the use of road vehicles and ships and real estate.

## **Intellectual Property (IP) Protection**

Historically, China has not had a good record in protecting intellectual property rights. Copyright piracy in particular has been a focus of international efforts to pressure China to reform its intellectual property (IP) system. In response to this pressure, and to further its drive to become a full member of the international trading community, China has in recent years made significant changes in its domestic legal framework governing the protection of IP. A new copyright law was implemented in June 1991, and its provisions were extended to computer software in October 1991. Revised patent and trademark laws took effect in mid-1993.

In addition to changes in its domestic laws, China has taken on international obligations for the protection of IP rights through membership in international IP agreements. China is a member of the World Intellectual Property Organization (WIPO), and has been a party to the Paris Convention for the Protection of Industrial Property since 1985. China is also a party to the Berne Convention for the Protection of Literary and Artistic Works (since late 1992), the Madrid Agreement Concerning the International Registration of Marks (1989), the Patent Cooperation Treaty (1994), and the Convention for the Protection of Producers of Phonograms Against the Unauthorized Reproduction of Their Phonograms (1993). In addition China has applied to become a contracting party to the General Agreement on Tariffs and Trade (GATT), and ultimately, the World Trade Organization (WTO) established by the Final Act of the Uruguay Round. Adhesion to the Uruguay Round Final Act will commit China to comprehensive protection and enforcement of specified IP rights with an effective mechanism for dispute settlement.

These recent legislative changes and treaty commitments by China represent significant steps to bring China's IP system up to international standards. However, in practical terms, enforcement of intellectual

property rights remains a major problem in China. Reports of infringement of IP rights are commonplace, and the application of legal remedies under the existing legislative framework is erratic. Accordingly, despite the legislative improvements of recent years, protection of intellectual property rights in China remains inadequate. Exporters of IP are advised to continue to exercise caution in their approach to the Chinese market and consult a legal firm with expertise in China's IP protection regime.

## **Business Access**

Under a bilateral trade agreement, signed in October 1973 and now renewed automatically every three years (unless a party chooses to terminate it), Canada and China grant each other most-favoured-nation (MFN) treatment with regard to customs duties and related charges and customs formalities and procedures. In 1979 the trade agreement was supplemented by a Protocol on Economic Cooperation intended to strengthen and develop Sino-Canadian trade and economic relations.

China benefits from the general preferential tariff (GPT). GPT rates are generally set at two-thirds of the most-favoured-nation (MFN) rate or lower. The GPT applies largely to manufactured and semi-manufactured goods with the exception of most textiles, apparel, footwear and some steel products. China is one of the largest users of the GPT.

Under the Export and Import Permits Act, the export of all goods on the Export Control List is regulated, and export permits are required. Applications for export permits to China are reviewed on a case-by-case basis by the Department of Foreign Affairs and International Trade and, where necessary, other Departments. Permits for exports of military equipment are generally denied.



### **III. BUSINESS OPPORTUNITIES IN CHINA**

A Canadian business can approach the Chinese market in many ways. For simplification, these have been broken down into the following categories: investments, such as processing and assembly agreements, compensation trade, wholly foreign-owned enterprises, joint ventures, and technology transfers; and direct export to China. Export opportunities are listed in more detail along with investment opportunities by sector.

#### **Processing and Assembly Agreements**

In this form of investment, the Chinese party normally provides the factory, power and other utilities and labour, while the foreign party supplies the raw materials. The foreign party pays a processing or assembling fee to the Chinese party and has ownership of the finished products.

#### **Compensation Trade**

In this form of investment, the foreign party provides services, equipment, training and/or technical know-how to the Chinese party and, in exchange, receives compensation in the form of finished products produced by the Chinese party.

#### **Wholly Foreign-Owned Enterprises**

Foreign investors are permitted to establish wholly owned enterprises in China and are governed by "The Law of the People's Republic of China on Wholly Owned Enterprises" of 1986. These enterprises are required to utilize advanced technology and equipment or to export 50 percent or more of their finished products annually.

In this form of investment, there is no Chinese partner, which is at once the major advantage and major disadvantage. On the one hand, the foreign investor will

not have the benefit of the capital contributions and local influence, knowledge and contacts of a strong Chinese partner; on the other hand, he or she will have free control of the business (subject to government regulation) and will enjoy all of the profits of the enterprise.

## Joint Ventures

Joint ventures, under Chinese regulations, fall into two categories: equity joint ventures, and cooperative joint ventures. Equity joint ventures are governed by the "Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment," which was promulgated in 1979 and amended in 1990, and by implementing regulations issued thereunder. Equity joint ventures are established as limited liability companies, with profit distributions determined in proportion to the equity contributions of the various parties. The foreign partners commonly provide equipment, technology, parts and training, while the Chinese side often supplies land-use rights and factories. Either or both sides may provide cash. Equity joint ventures are managed by their boards of directors, which is made up of representatives from each investor, usually in proportion to their relative contributions of capital.

Cooperative joint ventures are governed by the "Law of the People's Republic of China on Chinese—Foreign Contractual Joint Ventures" of 1988. For certain cases, liability may be unlimited for the partners involved. The foreign partner may be paid in cash, product or raw material, and profit share is based upon a formula mutually agreed upon by both parties, not necessarily in proportion to the amount of capital invested.

Both types of joint ventures are usually established for a set duration which may be as long as 50 years, and certain ventures may be eligible for open-ended terms. This was made possible by amendments passed in 1990 in response to foreign criticisms. These amendments included provisions intended to reassure foreign investors that their property will not be nationalized. They also

provided that the chairman of a board of directors could be nominated by the foreign partner, whereas previously the chairman could only be nominated by the Chinese partner.

Major issues that must be addressed by a Canadian company considering a joint venture are numerous. First and foremost is the selection of a suitable Chinese partner. The Chinese partner can play a vital role in obtaining raw material supplies, arranging labour and dealing with local government agencies. The parties must trust each other and have a common view of the goals of the joint venture. A foreign company wishing to start a joint venture may apply for assistance in finding a partner to the Ministry for Foreign Trade and Economic Cooperation (MOFTEC), the China International Trust and Investment Corporation (CITIC), or their provincial counterparts, or enter into discussions with a Chinese entity with whom it has had previous business dealings.

A foreign company wishing to establish a joint venture with the primary aim of selling in the Chinese market for Renminbi rather than exporting for foreign exchange must determine how it will repatriate profits. Depending upon the location of the joint venture, the availability of raw materials can be an issue, and skilled labour may be in short supply. Joint venture labour rates are invariably higher than those paid by local companies, and foreign companies may discover unexpected obligations for social welfare, such as clinics and schools. It is important to have the right to hire and fire workers. Otherwise, the joint venture may be subject to the whims of local state-controlled labour unions, whose role is highly ambiguous under current joint venture regulations. Realistic assessments must be made of the Chinese contribution, including the value of land rights or the suitability of an offered factory building, especially where no market comparisons are available. Factors external to the control of the Chinese partner, such as the supply of electricity, or availability of a port with capacity to move cargo, may also determine the success of a joint venture.

Dispute resolution mechanisms are also of great importance and should be specified in great detail. Disputes in China can continue seemingly forever without resolution. Matters can get mired in extremely lengthy and unsatisfactory negotiations or mediation. Contracts therefore often call for disputes to be resolved by binding arbitration to take place either in China or in some other country, as mutually agreed in the contract. As the commercial legal system of the PRC is still untested in many ways, foreign investors typically wish to avoid having disputes determined by Chinese courts or a Chinese arbitral tribunal. Even though Chinese regulations and laws have incorporated significant portions of western legal doctrines and principles, China is still a place where “guanxi” (pronounced “gwan-shee”) or connections can play a great role. Several thousand years of culture, still, at times, appear to override and contradict the relatively recent introduction of an internationally acceptable legal framework.

The establishment of a joint venture typically involves a lengthy process of negotiation and government approval. After signing a “letter of intent” or “memorandum of agreement” with a potential foreign partner, the Chinese partner is then required to submit a project proposal and a preliminary feasibility study to the responsible Ministry or Department. After preliminary approval is obtained, an intermediate “joint venture agreement” is required in theory; however, in practice, most parties begin negotiating the terms of the final documents as soon as the preliminary approval has been issued. These include a joint feasibility study, a joint venture contract and the articles of association. When these have been finalized and signed, they must be submitted to the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) for approval, along with written opinions of the relevant Chinese Ministry or Department and the province or municipality. Depending on the size of the joint venture, this approval could be granted at a provincial or municipal level rather than in Beijing. MOFTEC has three months in which to accept or reject the documents. Following approval, an

application for a business license must be submitted to the State Administration for Industry and Commerce, a central government agency.

Commercial law in China is only a decade old, and there are few precedents on which to rely. Furthermore, concepts of contract law, which are fundamental to developed countries, are still vague in China, and the business and physical infrastructure remains relatively underdeveloped. Accordingly, any Canadian company wishing to invest in China should very carefully review its plan and seek assistance from experienced professional sources.

## **Transferring Technology to China**

The Chinese Government has established a regulatory framework to govern the transfer of technology including assignment or licensing of industrial property rights (except contracts for assignment of trademarks); licensing of proprietary technology; technical service contracts; cooperative production or design contracts; and importing complete sets of equipment, production lines, and key equipment involving assignment of industrial property rights, proprietary technology or provision of technical service.

In order to obtain government approval for a technology transfer, a company must submit its contracts in writing for approval by the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) or a nominee agency authorized by it. This technology to be imported must be "advanced and appropriate" and conform to requirements set out in the detailed rules set by the PRC. Approval of a contract will not be granted if the contract is deemed inappropriate in any manner.

A relatively small proportion of Canadian transfers of high technology are subject to prompt review by DFAIT. These are primarily military-oriented or dual-use technologies. For more information contact a Canadian trade commissioner.

## **Business Opportunities by Market Sector**

### **NATURAL RESOURCE PRODUCTS**

#### **FOREST PRODUCTS**

The PRC represents a potential major market for Canadian forest products. In 1992 Canadian forest products sales to China totalled Cdn. \$168 million. Currently, one of Canada's main objectives is to promote the advantages of lumber over logs. Unfortunately for Canada, the Chinese continue to express a strong preference for logs, and Canada no longer exports them. To this end, the Council of Forest Industries of British Columbia (COFI) has developed a marketing programme in China, which includes demonstration buildings in Shanghai and Beijing, technical seminars, and plywood trials.

It is generally accepted that Chinese domestic resources will be unable to meet fully demand for forest products, and that imports will continue. China's best forest land is located in the remote areas of the Northwest and Southwest regions; accessible forests are generally poorly stocked and over-exploited. China has embarked on an ambitious afforestation programme to increase forest cover to 20 percent of the total land base, from the current 12 percent, by the year 2000. But even under the most aggressive programme, imports will continue to be in demand.

Despite a generally healthy prognosis for future Canadian exports to China, Chinese buying procedures remain opaque. Purchases of Canadian forest products have been dominated by the government foreign trade corporations, although the decentralization process may change this. However, the requirement for central government-issued import licenses for timber, plywood and pulp is expected to continue.



### Wood Products

Substantially increased demand for wood products should result from continued economic expansion. According to Chinese statistics, the U.S.A. and Russia supply 80 percent of the country's import requirements for wood products, mainly in the form of logs. Canada is China's largest supplier of lumber used primarily in door and window frames, concrete forming, mining props and packaging.

### Pulp And Paper

China's annual production of paper and paperboard totals just over 10 million tons annually, of which, more than 70 percent is produced from non-wood fibre. China's per capita consumption of paper is under 10 kilograms; the world average is 40 kilograms. While demand continues to increase, spurred by the government's renewed emphasis on education, science, technology and greater newspaper circulation, domestic production is hampered by inefficient facilities and a shortage of wood. China has over 2,000 pulp and paper mills, 30, of which, each produce over 30,000 tons per annum (TPA) of pulp and paper.

Canada is a significant supplier of pulp (approximately 33 percent of the import market) and paper (about 20 percent of the import market) to China.

### **FERTILIZERS — POTASH**

With China's shortage of arable land, agricultural production cannot be substantially increased by employing marginal lands. However, application of chemical fertilizers is expected to expand significantly the nation's crop yield. A study done by Canpotex, Canada's largest potash exporter, indicates that China needs to import five to six million tons of potash each year to achieve a balanced fertilizer mix.

With mines in Saskatchewan and New Brunswick, Canada has about 40 percent of the world's potash reserves and is a major world supplier. China has become

a leading customer, with Canadian suppliers holding about 50 percent of the Chinese imports of potash.

### NON-FERROUS METALS AND MINERALS

China currently ranks fourth in world production of nonferrous metals (2.52 million tons of the ten major nonferrous metals in 1991) after the Commonwealth of Independent States, the U.S.A. and Canada. Chinese nonferrous metals exports exceeded U.S. \$920 million in 1990, twice the 1985 figure. During the Seventh Five-Year Plan, (1986-1990), China invested a total of \$3.5 billion in construction and technical upgrading to increase production capacity; annual production during this period grew an average eight percent.

In the early 1990s, the country's dramatic move away from a command economy to market mechanisms fuelled demand for nonferrous metals. Metal shortages periodically shut down processing factories and occasionally forced internal prices above international levels. Only recently have restrictions on the use of metals previously in short supply (aluminum and copper) been relaxed.

China's nonferrous metals demand is expected to grow more rapidly than production over the next twenty years. The Eighth Five-Year Plan, (1991-1995), seeks to increase total production capacity by five percent annually to three million tons by 1995 and to almost five million tons by the year 2000. However, unless foreign investment can be channelled into the sector, this growth may be impeded. Foreign investment regulations for mining should be implemented in the first half of 1994.

Copper and aluminum production receive top priority from the PRC, followed by lead and zinc production and development. Currently underway are several retrofitting projects to incorporate advanced processing, environmental protection and energy conservation technologies in existing operations.

Since the mid-1980s China has become a major importer of metals and ore concentrates, including copper

ores, copper, alumina, aluminum. It has become an important player on the London Metals Exchange, engaged in trading valued at more than U.S. \$5 billion in 1992. Copper and aluminum amount for more than 90 percent of the trading on the Shenzhen metal exchange, set up in January 1992. Since May 1992 it was surpassed in importance by the Shanghai Metals Exchange, which dominates in copper trading. Both markets are licensed to deal in copper, aluminum, nickel, lead, zinc, tin; Shenzhen can also engage in antimony trade. Twelve million tons of nonferrous metals worth \$4 billion were traded at Shanghai in the first three quarters of 1993.

The majority of nonferrous import and export trade is handled by China National Metals and Minerals Import and Export Corporation (MINMETALS) and, since 1983, by China National Nonferrous Import/Export Corporation (CNIEC), a subsidiary of China National Nonferrous Metals Industry Corp. or CNNC.

### Aluminum

In 1991, China produced 957,000 tons of aluminum, but by the year 2000, it is projected to become the world's third or fourth largest aluminum-producing nation (it is currently eighth) with production approaching two million tons. Almost a dozen new (greenfield) projects have been discussed in the past few years, including the building of four main aluminum industry bases, which are projected to produce 300,000 tons of aluminum oxide and 100,000 of electro-refined aluminum annually upon completion.

However, even if the all the currently discussed projects are implemented, China will remain a net importer of aluminium ingots, in the range of 200,000 tons or more annually, beyond the year 2000. As well, China will continue to rely on substantial quantities of alumina imports. Currently the China National Nonferrous Metals Industry Corporation (CNNC) is also exploring investment in overseas bauxite mining and aluminum smelting.

### Lead And Zinc

Lead and zinc production hold second priority to aluminium for the Chinese government, with major expansions in Gansu Province and greenfield projects in Yunnan Province slated for the next decade. China has the largest world reserves of both lead and zinc (estimated at fifty million and twenty million tons, respectively). In 1991, 296,000 tons of lead and 578,000 tons of zinc were produced, and 5.4 million and 7.2 million kilograms, respectively, were imported. Consumption is estimated at 500,000 and 270,000 tons of lead and zinc respectively. It is expected that China will import annually 100,000 tons of zinc into the mid-'90s.

Canada continues to be a leading supplier of zinc to the PRC despite a successive drop from 52,000 tons in 1985 to 6,800 tons in 1987. By 1992, Canada's lead exports to China totalled over Cdn. \$115,000, while zinc exports totalled over Cdn. \$626,000.

### Copper

Due to the low grade of China's copper deposits (reserves are estimated at 350 million tons), the copper mining industry has a low growth target. Therefore, China will continue to depend heavily upon imports. China is now the tenth-largest copper producing country in the world, and the sixth-largest consumer. Although smelting and refining capacity is far in excess of mining capability, China is not planning any new mines; poor grade and inconveniently located deposits, make mine development uneconomical. The plan instead is to concentrate on the improvement of existing mines, such as the top-producing Dexing in the Jiangxi Province, and to develop access to foreign sources of supply.

China's copper requirement is estimated at 800,000 tons annually. With an estimated increase in consumption of four to five percent per year, annual consumption could reach close to 900,000 tons by the end of the century. Imports vary between 100,000 and 300,000 tons per year, in the form of cathodes and blister. Volumes

will vary with international market conditions. For example, both copper metal and scrap imports (mainly from the U.S. and Europe) plunged in the second quarter of 1993 as government economic reform policies forced importers to purchase foreign exchange at a substantial premium on currency swap markets rather than at the more favourable official rate.

Given its continued reliance on imported concentrates, China is actively pursuing investments in copper mines abroad (and in Canada), both in existing mines or in greenfield projects. South Korea signed a memorandum of understanding in September 1993 for joint prospecting for copper and nickel on a 22.5 square-kilometre block in Xinjiang.

### Nickel

China was basically self-sufficient in nickel until the 1990s. Rising domestic demand, especially for stainless steel, swelled imports to an estimated 7,000 tons in 1992, mainly from Russia and Vietnam. (Industry sources suggest unreported shipments through Hong Kong make the true figure close 14,000 tons.)

### **FERROUS METALS**

China has 1,200 iron and steel enterprises, fourteen of which have the capacity to produce over one million tons of steel annually each. China's iron and steel industry produced 60 million tons of raw steel in 1988. In 1989, production reached 61 million tons, ranking China fourth in the world, after Russia, Japan, and the U.S.A. In 1990, total production of steel reached 66 million tons, an increase of over eleven percent in two years. During the Seventh Five-Year Plan period, China produced 295 million tons of steel with output increasing by an average of 3.8 million tons per year.

Equipped with outdated facilities installed during the 1950s and 1960s and lacking funds from the central government, China's iron and steel industry will have to rely on technical updating of its existing plants to meet the

demand of the growing economy. This presents opportunities for Canadian firms to supply advanced technology and equipment, and possibly engineering and consulting capabilities.

Because the volume of production and the quality are insufficient, steel continues to be one of China's major imports, with approximately four million tons imported in 1992. However, in order to control this tremendous drain on foreign currency reserves, the Ministry of Metallurgical Industry (MMI) is setting a steel production target of over 70 million tons for 1995 and planning to control imports by raising tariffs on certain steel products.

## COAL

China is the world's largest producer and consumer of coal. Proven reserves exceed 900 billion tons, while estimated reserves are set at two trillion tons. Bituminous accounts for approximately 70 percent of proven reserves, of which 30 percent are coking coals. The remaining 30 percent of reserves is divided almost evenly between anthracite and lignite. Coal production in recent years has generally followed an upward trend; an unofficial target of 1.5 billion tons has been set for the year 2000.

Forty-three percent of the coal produced is used directly by industry, more than one-quarter consumed in power generation, another fifth in domestic heating and cooking, eight percent for making coke, three percent for powering steam locomotives, and most of the remainder sold abroad. Although coal accounts for a relatively small proportion of China's total production (1.5 to 2 percent), coal exports mainly to Japan and Southeast Asia are an important source of foreign currency.

## PETROLEUM, OIL AND GAS

In recent years China has been ranked as the world's fifth or sixth largest oil producer. Oil provides approximately 20 percent of China's energy needs. Oil exports generated U.S. \$45 billion in earnings during 1980-1989, accounting for 18 percent of the nation's total exports during that period. These revenues permitted

China to introduce advanced technology and import raw materials, machinery, electronic equipment and other scarce commodities. In addition, China has gas reserves of over 30 trillion cubic feet. Major oil producing regions include Daqing in the North China Basin (which accounts for 40 percent of current production), Shengli in Shandong Province, and Liaoning Province.

Opportunities exist in the supply of technology in the areas of heavy oil, sour gas, and enhanced oil recovery for onshore resource development.

## PETROCHEMICALS AND CHEMICALS

The petrochemical/chemical industry is one of the fastest growing sectors in China and is expected to grow at a ten percent annual rate at the end of this century. Although the industry faces higher costs for raw materials, such as electricity and transportation, resulting from the liberalization of prices, these and other market economy reforms should enhance productivity and efficiency. Despite sweeping trade reforms, increased international competition and China's ambitious expansion plans for the industry, the country is expected to remain an attractive market for foreign producers over the next decade.

The Eighth Five-Year Plan, (1990-1995), includes the construction of fourteen major petrochemical projects. Many of these involve modernizing and expanding existing production facilities, and therefore will require foreign financing. Imports of advanced technology and equipment, foreign investment/joint ventures, and exports of finished products, technology and labour are all to be vigorously promoted. China's revised patent law took effect on January 1, 1993 and for the first time protects products, not just processes. This law combined with better investment terms, particularly as provinces are now allowed to compete to attract partners for listed joint venture plans, should enhance opportunities for Canadian technology transfer and joint ventures in most chemical sectors.



## GRAINS, OILSEEDS & OTHER AGRICULTURAL PRODUCTS

Enormous efforts must be made to ensure that grain production and other sectors of agriculture grow proportionately to meet the needs of China's tremendous population growth. Agriculture engages about 60 percent of the workforce and accounts for one-quarter of China's gross national product. Thus the performance of this sector is a major determinant of the success of China's modernization plan and orientation toward a market economy, and a principal influence on the nation's standard of living.

### GRAINS

China's agricultural production reform in the late '70s, and subsequent policies to foster self-sufficiency have had considerable success to date. Production of wheat, corn, and rice increased by almost 55 percent in the last decade, and higher production levels targets have consistently been met in the early '90s.

### CHINA'S PRODUCTION OF SELECTED GRAINS (in million tons)

	Average Production 1971 to 1980	Average Production 1981 to 1990	Estimate for 1993
Wheat	44	83	104
Corn	41	73	96
Barley	6	6	4
Rice	128	171	185

Despite the fact that China was a net exporter of grain in 1992 and 1993, the country remains a large importer of wheat. Canada and the United States are the major suppliers in this market, with respective import

market shares of 35 percent and 40 percent on average for the period 1989 to 1993. Annual exports of Canadian wheat to China exceeded seven million tons on two occasions during the same period, with average sales of 4.3 million tons.

Despite the significant increase in production over the last decade, China is expected to import increasing quantities of grain over the next ten years. Less government subsidies for grain, the ability for farmers to switch from grain to more profitable crops, and increasing usage of grain by livestock to satisfy consumer's demands for meat, livestock and poultry products is expected to result in a grain deficit.

China is becoming a significant market for malting barley, with imports of about one million tons per year in the early '90s. The first sale of malting barley was made in 1982 by the Canadian Wheat Board and reached an average 250,000 tons in recent years. The growth of foreign joint venture malting house and brewing facilities is expected to lead to increased import requirements for quality malting barley. There is a market for Canadian malt in the longer term, especially now that the Chinese industry is becoming familiar with Canadian barley.

Canada's objectives in this important grain market are to maintain its market share and to ensure that the Chinese continue to regard Canada as a priority source for milling wheat and malting barley. Recent Canadian marketing efforts in China have included frequent exchange visits between Canadian Wheat Board representatives and China National Cereals, Oils and Foodstuffs Import and Export Corporation (CEROILFOOD) officials. Canadian Grain Commission officials have been extensively involved with their Chinese counterparts on questions of grain inspection, weighing and quality control. In addition, the Canadian International Grains Institute (CIGI) has hosted participants from China at a number of its international grains industry-related programs. Our grain trade concerns have also been an important component of incoming and outgoing ministerial visits.

## OILSEEDS AND VEGETABLE OILS

China is one of the world's largest producers of oilseeds and is the world's largest processor of rapeseed. China is a major competitor with Canada in the Pacific Rim in protein meals; over the last five years China has exported an average of 565,000 tons of rapeseed meal and 1,880,000 tons of soybean meal annually.

In spite of this, China's vegetable oil consumption exceeds its domestic supplies, making China the world's biggest vegetable oil importer. China holds promise for even greater imports of vegetable oil as the Chinese economy improves. In 1992, China's per capita consumption of dietary fats and oils was at one-third the level of Hong Kong's per capita consumption rate.

However, it is difficult for Canada to compete in the Chinese vegetable oil market against lower-priced palm and soybean oil from Malaysia, Indonesia, Brazil and Argentina. Significant exports of Canadian oilseeds and vegetable oil are not expected in this market in the near future. Canada's long-term objective in this growing market is to increase Canada's market share by promoting the use of high-quality canola oil as a possible replacement for imported soybean and palm oils in more affluent niche markets.

## OTHER AGRICULTURAL PRODUCTS

In addition to wheat and other cereal grains, the other main import priorities in the agricultural field involve dairy cattle, swine, meat, agricultural inputs and the ability to process, store and market agri-food products.

Domestic demand for meat is expected to increase gradually in response to rising population, income levels and urbanization. This may also create increased demand for imported feed grains, feed technology, livestock production facilities and management systems.

A number of areas have been identified where the PRC could benefit from Canadian technology. These areas include: grain handling and storage, sustained agricultural use of grasslands; food processing industries;

farm machinery; forestry technology; livestock and crop disease control; increased requirements for fertilizers, including potash; and increased applications of plastic sheeting.

## ENVIRONMENT

The China market is potentially promising for many of Canada's environmentally related products. China's heightened concern with environmental issues in the 1990s, and the increased governmental priority assigned to pollution control measures, offer a major opportunity to external suppliers of equipment and consulting services.

The demand for environmental technology and services in the PRC will rise in the 1990s as the result of five background factors which are likely to sustain growth for some time:

- **Pervasive Environmental Degradation** — Forty years of rapid industrialization have left China with a vast array of urgent, unresolved environmental problems, from soil erosion to water contamination.
- **Under-investment in Pollution-Abatement Facilities** — Until the 1980s, there was limited investment in water or waste treatment facilities, and in monitoring equipment and instrumentation. Despite a decade of effort, equipment needs in this area have barely been addressed. As of 1990, only 22 percent of China's annual waste water discharge of 35 billion tons was treated. An even smaller proportion of solid waste is subject to treatment.
- **Government Recognition of the Environmental Crisis** — The economic costs of pollution have been quantified by Chinese economists for the early 1980s at approximately 44 billion yuan (Cdn \$1.00 = 4.4 yuan) annually, with current costs estimated at double that amount.
- **International Pressure and International Financial Support** — The new priority attached to environmental protection by the government has been reinforced by the growing environmental concerns of multilateral aid agencies and bilateral aid

programmes, which have shifted their assistance priorities and guidelines to stress environmental projects and concerns.

- **Rapid Economic Growth** — High projected economic and industrial growth rates will both intensify the need for environmental products and services, and help generate the funding to support that demand.

China's new long-term plans set ambitious pollution abatement targets for the year 2000, which will have a significant market impact. Atmospheric pollution, now at the dangerous level of 800-900 micrograms of particulate per cubic metre in many northern cities, will be reduced to under 500 micrograms. Urban sewage will achieve a 30-40 percent level for treatment rates, while gas will replace coal for cooking and home use in over 50 percent of households. The amount of industrial waste water discharged by large and medium-sized industrial enterprises will be reduced by 50 percent over 1985 levels. Major efforts to clean-up China's polluted rivers and coastal areas are also mandated.

To achieve these goals, China is tightening its effluent and emission standards and beefing up its monitoring of environmental regulations and standards. In the near future, China's "polluter pays" system will jack up penalty rates by 100 percent. As a consequence, China's manufacturing sector will be compelled to increase spending on pollution-abatement equipment. Eighty per cent of pollution penalties and fees are to be directed towards equipment acquisition.

State expenditures on environmental protection are also on the upswing. The Sixth Five-Year Plan (FYP), 1981-1985, allocated a modest 17 billion yuan for environmental protection investment. That sum was increased to 47.8 billion yuan for the Seventh FYP, (1986-1990), period, and then to 84 billion yuan for the current Eighth FYP, (1991-1995). This figure still falls well short of the estimated 1.5-2 percent of GNP needed to adequately tackle China's environmental crisis, but it

does represent a more aggressive response to existing problems.

To generate adequate funding, five percent of all new project budgeted funds will be allocated to the acquisition of environmental equipment, with new project approvals conditioned on a satisfactory environmental assessment statement. For older factories, six percent of industrial renovation funds will support environment-related retrofit programmes.

The World Bank's 1992 China Environment Strategy Paper has called for two to three environmental projects per year in its China lending programme. There are currently eleven such projects in the Bank's China pipeline and one bank official has estimated spending on environmental projects over the next four to five years between U.S. \$1.2-1.5 billion.

The Asian Development Bank planned to provide five technical assistance loans in 1992 and eleven grants in 1993 in the areas of industrial pollution control, water waste management and energy conservation in the power and industrial sectors. The United Nations Development Programme (UNDP) has allocated U.S. \$35-40 million for its 1992-1996 lending program, which will have a significant environmental emphasis.

There are currently about 1,900 manufacturers of environmental products in China, but most are small and lag technologically. While domestic suppliers can meet about 80 percent of demand, they are unable to supply the more sophisticated equipment many end users prefer. Chinese environment industry officials are actively seeking foreign investment in this area.

Opportunities exist for Canadian companies to participate in the development and manufacture of equipment for the control of particulate and other forms of air pollution, solid waste and chemical-laden waste water. China also seeks to produce portable monitoring equipment to measure air and water quality.

In addition, Canadian manufacturers produce a wide range of products that satisfy China's import requirements, which include: water treatment equipment,

sewage treatment equipment, waste handling facilities, recycling equipment, and air purification equipment.

Research on competitor market strategies in this sector has revealed that Japanese companies have actively invested in market research, technical exchanges, advertising and promotion, free consulting services, and frequent participation in exhibitions to influence the purchasing decisions of end-users. In contrast, interviews conducted with Chinese officials revealed a lack of familiarity with Canadian capabilities in the environment sector and a need for a more active market presence. Nevertheless, in several regional markets, and in particular the Yangtze basin, Canadian exporters of environmental products and services have begun to achieve modest success.

## TELECOMMUNICATIONS

China's telecommunications infrastructure requires much upgrading compared to western countries, yet the competitive environment is very sophisticated. Major exporters have been pursuing this market for several years. Firms from Japan, Europe and North America have been attempting to secure a market niche and some have been very successful in the last few years. These firms have been accepting very low (in some instances negative) profit margins to establish market share. As well, factors such as favourable lending conditions, technology transfers, and joint venture agreements have at times assisted firms to capture a share of the market.

With growth in telecom traffic averaging 30 percent in 1991, 40 percent in 1992, and a little over 50 percent in the first half of 1993, established players in the market can look forward to rapidly increasing sales. The total system capacity (including private branch exchanges) was 30 million lines at the end of 1992 (up from 20 million at the end of 1990), with a planned increase to 100 million by the year 2000. Already the larger cities boast 15-20 telephones per hundred people — further growth will have to focus more on the rural areas where the penetration rate is closer to 0.1 percent.



The market has two principal sectors. One is the telecommunications network operated by the Ministry of Posts and Telecommunications with its provincial and local Posts and Telecommunication Authorities (PTA). The other sector is the private networks operated by other ministries and organizations, such as the petroleum and coal sectors, and the banks. This latter group includes the Ministry of Electronic Industries which has formed an operating company, Ji-Tong to set up a nation-wide, value-added data network built on the spare capacity of several of the existing private networks.

Products in demand include the full range of equipment needed to expand rapidly the network, particularly optical fibre systems, digital microwave telecommunications systems, central office switches, satellite communications systems, cellular systems, and data communications. Mobile communications systems, such as paging and cellular telephones, also have become very popular. The operation of these systems is controlled by the provincial and local PTAs. Despite high charges they have been experiencing 100 percent growth rates. In some areas, there are more pagers than telephone sets. Data communications can be expected to start to grow rapidly with the July 1993 inauguration of ChinaPac, China's packet switching system supplied by Northern Telecom.

Many foreign firms have signed joint venture agreements with China in the telecommunications sector. Although this method of market penetration is costly, both in initial capital investments and in up-front marketing costs for travel and business negotiations, it favours a long-term presence in this market. The importance of foreign exchange earnings is also emphasized, as several joint ventures have had foreign exchange shortages as a result of low export sales.

## ENERGY

Energy continues to be one of the two priority sectors for China, and hence all facets of this sector (oil and gas, coal, and electric power) represent substantial





opportunities for Canadian firms with the appropriate products and technology. The involvement by Petro-Canada International and Ranger Oil in a British Petroleum-led consortium drilling offshore in the South China Sea is one significant example of Canadian participation. China's energy resources are enormous: huge onshore oil and gas reserves, particularly in the Northeast and the Tarim Basin; offshore oil centred in the northeast; offshore oil in the South China Sea and elsewhere; natural gas in Sichuan; massive coal deposits in various regions; and vast hydro potential in the south. However, large gaps in transmission and transportation capabilities remain to be solved. Oil exports are a major foreign exchange earner, and coal should make a large contribution in the near future. China is the fourth-largest producer of commercial energy after the United States, the Soviet Union, and Saudi Arabia. More information about coal, and oil and gas can be found under *Natural Resources*.

#### POWER GENERATION AND TRANSMISSION

During the four decades since the founding of the PRC, the electric power industry has made enormous strides in its development. For example, the total installed capacity increased from 1,850 megawatts (MW) in 1949 to 124,000 MW in 1989, moving up from twenty-fifth to fourth in capacity in the world. The installed capacity is divided up among thermal (70 percent) and hydroelectric (30 percent). Upon the completion of the Daya Bay (Guandong) and Qinshan (Shanghai) stations, nuclear power will represent two percent of China's installed capacity.

Chinese authorities have been candid in discussing the major problems of electric power development. The annual growth rate has averaged seven percent, but in the past year it has become evident that annual growth rates of eight to nine percent are needed just to keep up with industrial and domestic demand. Installed capacity must double the present level by the year 2000 just to satisfy

minimum demand. The Ministry of Electric Power projects capacity by the year 2000 to be 300GW to be achieved by adding 17,000-20,000 MW per year. Even then, China will be well short of the estimated 1200 GW needed to reach the level of medium-developed societies (average capacity per head of one KW and a yearly consumption per head of 5000 KWH). The shortfall in electric power is a major blockage in China's industrial and social development.

Thermal Power Generation will be a main focus for the PRC, because of the lower investment costs and the shorter period required for construction. During the Seventh Five-Year Plan, China began to manufacture and install 600 MW units. In the Eighth Five-Year Plan, the 600 MW unit will become the backbone of thermal projects, although several projects requiring 300 MW boilers, turbines and generators will be purchased. From 1990 to 2000, more than twenty, large-size projects are planned. By year 2000, total generating capacity for thermal will be 163,000 MW. The new plants will be located at coal mine mouths, near harbours and at centres of communications, such as Inner Mongolia, Shanxi, Anhui, Jiangsu and Guizhou Provinces, as well as load centres on the coastal areas such as Tianjin. In recent years, China has opened build, operate and transfer (B.O.T.) opportunities to foreign firms wishing to invest in thermal power generation.

China estimates that it has 380,000 MW of exploitable hydroelectric capacity, of which only 10 percent has been developed. Hydropower projects to be constructed before the year 2000 include the 17,680 MW Three Gorges project in Hubei Province and several medium size projects in Sichuan, Guangxi, Fujian Provinces. For these and other hydro projects, China must purchase turbines, generators, electrical components, and control systems from foreign manufacturers. With decentralization of authority and financing, many opportunities exist at provincial level for smaller scale hydro projects.

China has several regional and provincial power

grids. Since China's energy sources are often distant from the load centres, the country has a strong incentive to expand its high-voltage transmission lines and increase the degree of interconnection among its regional grids. For coal-fired generations, some mine-mouth, thermal generating plants in the north are planned to implement EHV transmission to population centres.

China has a substantial and growing capacity to manufacture its own power transmission equipment, and many projects are reserved for domestic supply. China invites foreign manufacturers to participate on certain priority projects due to the urgent need to expand capacity. However, most of these suppliers must include technology transfer in their bid, and/or an element of co-production involving Chinese producers. Canada is a leading contender in this sector, since it has won a few major contracts in China in recent years.

## SERVICES

Trade in services represents one area of tremendous growth not reflected in Canada's merchandise trade statistics with China. In the past, Chinese companies had been unwilling to pay for intangible "ideas," with fees for services often built into overall project or hardware costs. As China's own economy becomes more diversified and sophisticated, engineering, architectural and financial consulting firms are now finding China to be increasingly willing to purchase services for their own merit.

## CONSTRUCTION

The construction industry in China is booming, due to deregulation, the trend toward private home ownership, and the realization of the true asset value of the sizable real estate holdings of state-run entities. Canadian firms have found that considerable opportunities exist for the sale of goods and services relating to this sector, in particular, building materials, (i.e. fabricated wood products, steel, concrete technology), as well as for architectural services. Many Canadian architectural firms

have been particularly successful in the Shanghai region, winning international tenders for the design of major developments. The construction industry will continue to be a priority for Canada's export promotion activities in China.



## IV. SERVICES FOR CANADIAN EXPORTERS

The Department of Foreign Affairs and International Trade (DFAIT) through its posts in Beijing, Shanghai and Hong Kong, as well as through its International Trade Centres across Canada, can assist Canadian businesses access opportunities in China and guide them on their export initiatives. The services offered the Government of Canada represent only part, albeit an important part, of the support available to Canadian businesses interested in the China market. As the market becomes more diversified and complex, specialized services are in increasing demand; a number of Canadian legal, accounting and consulting firms are proficient in providing guidance. Many Canadian exporters have found effective representation in the China market through agents and representatives based in Hong Kong and elsewhere in the region, including in China itself. What follows is a brief menu of services and activities available from the public and private sectors.

### **Trade Promotion**

- **Trade Fair Participation** — Participating in trade fairs in China can be a very expensive and time-consuming undertaking. There are numerous shows and exhibits sponsored on national or regional levels throughout the PRC. Therefore it is recommended that Canadian companies research beforehand the appropriateness and merits of a particular trade show, ensuring that visitors to the show will be qualified potential buyers. DFAIT, along with Canadian exporters, participates in a limited number of trade shows each year. These are focussed on priority sectors and are usually limited to proven venues in the major centres, such as Beijing, Shenzhen, and Guangzhou.

- **Trade Missions** — The Canadian federal and provincial governments organize trade missions to China, usually with a precise sectoral focus. Your closest International Trade Centre can provide details on the agenda of events which may be of interest to you.
- **Establishing a Presence** — The costs associated with maintaining an office in China can be very high. Opportunities in the PRC market, particularly South China, can justify the establishment of local-based offices in Hong Kong by foreign trading firms. This is provided the companies have the support of substantial business activities and solid income projection to absorb the increasingly high overhead.

## **Program for Export Marketing Development**

Assistance is available to Canadian companies to explore new export markets or expand in existing ones through the Program for Export Market Development (PEMD). The PEMD helps Canadian companies participate in international trade affairs; establish agents or representatives; and initiate contacts with potential clients through incoming and outgoing visits. PEMD provides up to 50 percent of the costs incurred by a company in its penetration of new markets. These contributions are repayable if sales are secured in that market. The two types of assistance are categorized as industry-initiated, and government-initiated, the latter of which is planned and implemented by the Asia Pacific Branch of DFAIT. The International Trade Centres across Canada can provide further details. Enquiries can also be directed to provincial governments who have similar assistance programmes.

## **Provincial Relations and Twinning**

Recent years have seen Canadian provinces and major cities become increasingly involved in the expanding China-Canada relations. Notable among these are Alberta-Heilongjiang, Saskatchewan-Jilin and Ontario-Jiangsu

provincial twinings. On a municipal level Toronto-Chongqing, Montreal-Shanghai, Vancouver-Guangzhou, Edmonton-Harbin, and Calgary-Daqing head a growing list. Aside from the formalization of "twinning" agreements, provincial and municipal governments have taken an active role in a number of shared activities that have forged new bonds and reinforced existing contacts. Frequently, one of the major goals of such activities is trade and economic exchange. Where there are similar economic, cultural and geographic interests, these arrangements flourish best. When the other essential ingredients of a business relationship are already present, "twinning" could provide a useful complement to open doors.

## **Export Financing**

The Export Development Corporation (EDC) finances exports to China through three financing facilities established with Chinese banks. The first facility with the Bank of China, which has had its license extended until October 1, 1995, has been the primary vehicle used to support of over \$2 billion worth of Canadian exports. Two other facilities, one with the Bank of Communication and another with the People's Construction Bank of China, will have their licenses expire in August of 1995.

EDC financing is normally available for up to 85 percent of the contract price of Canadian capital equipment and services. Foreign investment insurance as well as short and medium-term insurance products are also available.

Canada Account financing, available on the basis of national interest considerations, may be available to support exports to China. Requests for Canada Account support, both concessional and non-concessional, are assessed on a case-by-case basis.

Four of the major Canadian chartered banks (Royal Bank, Bank of Montreal, Canadian Imperial Bank of Commerce, and Bank of Nova Scotia) have Beijing offices which concern themselves with trade facilitation and

trade finance. The Royal Bank has a Shanghai branch which concentrates on foreign currency short-term facilities.

## **Multilateral Development Banks**

The multilateral development banks (MDBs) are large international organizations established to stimulate economic growth and social development in Third World countries. The World Bank Group and the Asian Development Bank, two of the six MDBs, have been active in financing projects in China. In 1989, the six MDBs committed approximately U.S. \$31.9 billion to developing countries; the lending operations of the MDBs represent a significant and increasing source of potential export business for Canadian firms. The addresses and contacts for more information on MDBs can be found in *Appendix D: Useful Contacts*.

## **Government-to-Government Contracts**

The Canadian Commercial Corporation (CCC), a Crown corporation, aims to act as an international trade facilitator and prime contractor in the sale of Canadian goods and services to foreign governments, international agencies, and other customers. The CCC becomes the exporter of record by signing the contract with the foreign buyer, on behalf of the Canadian exporter. CCC remains at all times responsible to the buyer for the work performed or the goods delivered, in accordance with the terms of the contract.

With its state-owned import-export organizations, China is a natural market for government-to-government transactions. In these kinds of transactions, CCC may be the element needed to secure a contract.

## **The Canadian International Development Agency (CIDA)**

The goal of the Canadian International Development Agency's China program (started in 1981) is, through transfer of technology, to assist China's development of

its human resources in key sectors, especially agriculture, forestry, energy and transportation. The bulk of the funding (\$37 million for financial year '89-'90) is disbursed through bilateral programme funds, with funds also designated to the Industrial Cooperation Program (INC) and other development activities through the Special Programs Branch.

Through the INC Program, CIDA assists Canadian businesses through mechanisms such as joint ventures or other long-term business collaborations for projects involving technology transfer and job creation. Canadian firms also can receive funding for viability studies, as well as pre-feasibility or project definition studies when preparing for a capital project. The INC Program could be an important facet to your export or investment initiative in China.

## **Private Sector**

The Canada China Business Council, was founded in June 1978 to assist Canadian enterprises, both exporters and importers, in conducting business with China. Private sector initiatives in conjunction with ministerial level missions and other government-supported activities are part of a continuing effort by the Council to expand the commercial relationship between Canada and China. (see Appendix C)

## **Transportation**

Bulk cargo such as wheat; woodpulp, newsprint, lumber, and other forest product-related items; and copper concentrates is carried between ports on the west coast of Canada and the Far East by Chinese vessels, or vessels chartered by Sinotrans Canada Inc., a subsidiary of China National Foreign Trade Transportation Corp. This cargo is loaded at several terminals in British Columbia, including two terminals in the Port of Vancouver.

Apart from Sinotran's Break bulk service, China's national carrier, the China Ocean Shipping Co.

(COSCO), provides the only other regular direct containerized cargo service between Canada and China. Commencing in May of 1994, service will be provided from Seattle/Vancouver to Shanghai and Qingdao, after calling Yokohama, Kobe and Busan, with six vessels. The principal Chinese ports for handling Canadian general and containerized cargo are Shanghai, Huangpu, Tianjin, Guangzhou, Fuzhou, Lianyungang, Nanjing, Qinhuangdao, Dalian and Qingdao.

In addition, airfreight/cargo plays an ever-increasing role in China-Canada trade, and several Canadian freight forwarding companies offer complete air cargo services between the two countries. China's national carrier, Air China, currently services Vancouver, and Canadian Airlines International will resume its regular passenger/cargo service to the PRC in May 1994.

## Appendix A

# KEY SUCCESS FACTORS FOR CANADIAN COMPANIES

The following key success factors (KSFs) for Canadian companies in China were identified in research conducted at the Business faculty of Simon Fraser University in 1993-1994. The study included survey information from seventy-seven Canadian companies doing business in China between 1990 and 1992. It also included information from ten in-depth interviews with managers responsible for the company's activities in China. Each KSF was found to have a significant impact on the sales performance of the companies between 1990 and 1992. The KSFs apply equally to high technology, manufacturing, natural resource and service industries.

- **Size** — Larger companies with a greater range of international experience will have a better chance of success in China. The Chinese market did not seem to be the best opportunity for smaller companies that were just beginning to do business internationally. Smaller, relatively inexperienced, firms should concentrate on markets more similar to Canada's, such as the United States or the United Kingdom.
- **Marketing** — Companies should change and update their marketing practices frequently. The competition for Canadian companies often comes from Hong Kong, Japan, and the United States, traditionally strong marketers.
- **Conflict Resolution Mechanisms** — Conflicts or disagreements should not be resolved by forcing the Chinese to listen, by directly confronting problems, or by smoothing over differences. These approaches to conflict resolution seemed to have negative results.



- **Adjustment Allowance** — Companies should be aware that the Chinese business environment is stressful and difficult for Canadians. Managers should watch for every opportunity to learn more effective business practices, and not expect an easy time.
- **Business Procedures** — Normal procedures for negotiating and operating an international business operation should be applied. Companies should not, for example, engage in bribery or allow the Chinese to persuade them to enter agreements without negotiating all details essential to their success.
- **Use of Agents** — Canadian-based salespersons should be used in the Chinese market if a company has limited experience in China or limited resources. Firms with greater experience should consider either equity joint ventures with Chinese partners, or equity joint ventures in conjunction with wholly owned subsidiaries. Canadian firms should avoid China-based distributors and especially contractual joint ventures (including licensing and franchising agreements).
- **Local staff** — Companies should hire Chinese to sell, provide after-sale service, or to manage local Chinese operations.
- **Intermediaries** — Intermediaries should be used to identify opportunities, make contacts, and expedite negotiations. Intermediaries seemed particularly important for facilitating negotiations by allowing Canadian companies to identify the goals of the Chinese negotiators and to take steps to understand and satisfy these goals.
- **Education** — A company should keep up-to-date with the political, economic and social situation in China. Companies had to distinguish between normal Chinese cultural behaviours and Chinese strategies for dealing with foreign business people. This allowed companies to develop effective Chinese business strategies and to achieve higher performance.
- **Avoidance of Common Misconceptions** — Canadian managers believed that developing increased trust

between themselves and the Chinese would improve their firms' performance. It did not. Canadian managers also believed that establishing cooperative work relationships and shared goals between their firms and their Chinese products representative would improve their firms' performance. It also did not. These factors may provide competitive advantage in Canada and the United States but did not seem to be relevant to China.

## Appendix B

# PROTOCOL FOR CANADIANS

China is an ancient civilization with well-established norms of social behaviour. A premium is placed on courtesy to guests. The Chinese are tolerant of the social customs of others, and do not expect visitors to be fully conversant with the norms of Chinese social behaviour. When in doubt, it is useful to remember that good Canadian manners will almost always be recognized as courteous behaviour in China.

### Public Behaviour

- The Chinese tend to be more formal than Canadians, especially so with foreigners until they know them well.
- Dress in China is almost always informal. Most Chinese wear loose-fitting cotton slacks and jackets, though young people are increasingly wearing Western fashions, and officials increasingly wear Western suits.
- The Chinese are punctual. Do not arrive late, particularly at a banquet where this would be construed as an insult. If you are the host of the banquet, arrive before your guests. Banquets end shortly after the fruit course and are no longer than 2 hours.

### Forms of Address

Chinese personal names usually consist of a three-character combination, with the surname being given first. There is a paucity of surnames, and the Chinese share a few commonly used names. A Chinese with the name, for example, Zhou Pengfei, goes by the family name Zhou (pronounced "Joe"). In formal situations, which extend to all business and work contracts, it is best to stick with Mr./Mrs./Miss Zhou. In Chinese, you

would use Xiansheng (Mr., pronounced Syen-shung) or Nushi (Ms., pronounced Nuh-shur) after the surname, e.g., Mr. Wang would be Wang Xiansheng; Ms. Wang would be Wang Nushi.

## Greetings

A nod or a slight bow will usually suffice when greeting someone, but a handshake is most acceptable. The Chinese tend to be quite formal in introducing visitors and will use the full title of their guests. However, the Chinese often avoid identifying themselves precisely.

## Eating

It is polite to sample every dish served. Chopsticks are used at all meals and should be placed neatly on the table when you have finished eating. The food is placed in the centre of the table, and it is polite to taste every type of food prepared. Any bones or seeds should be put on the table or in special dishes, not in your rice bowl. When dining at a restaurant, the host will pay the bill. Business is generally not discussed while eating. It is impolite to drink alone, therefore toasts are usually offered to the people sitting nearby or to the whole table. Guests should have a short but friendly speech prepared to reciprocate. Non-drinkers may toast with water or soda pop.

## Conversation

Chinese prefer to have their country referred to as the "People's Republic of China" or simply "China." Questions asked out of interest and in friendly manner about the politics or economics of the country are quite acceptable.

The Tiananmen tragedy remains a sensitive issue, however, and would not normally be raised in casual conversation.

## To be Avoided

- **Tipping.** Under no circumstances should tips be offered.
- **Facetiousness.** Frivolous remarks should be avoided on all official occasions including banquets and toasts, especially with reference to political leaders.
- **Calling Taiwan a country.** This will invite an instant rebuff. Taiwan is considered a province of China.
- **Photographing military objects,** photography from aircraft, taking pictures of people against their will. It is advisable to ask permission before photographing wall-posters. Otherwise the attitude towards photography is liberal.
- **Exchanging foreign currency.** Resist the temptation to change foreign currency or foreign exchange certificates unofficially. It is strictly forbidden by Chinese law .
- **Favours.** It is wise to decline politely when approached by a stranger for a favour, such as buying goods for them in hard currency.
- **Discourtesy.** Try to cultivate patience — life in China goes at a slower pace, and rudeness will not speed things up. In fact, it is usually counter-productive.
- **Anti-social behaviour.** Unruly and wild behaviour, excessive noise and obscene gestures occasioned by heavy drinking or high spirits are not usually well received, although Chinese do enjoy moderate drinking and mild jokes at banquets when behaviour is always tempered.

## Business And Social Customs

A recent study of Chinese business culture conducted at the Political Science Department of Carleton University has made the following noteworthy points:

- In China, your firm is considered of utmost importance; in North America, typically the product is considered most important. Since most North American firms are unknown to the Chinese, the

negotiation process is used as a method to obtain more information about you.

- Trust must be established before discussing deal specifics. Trust is formed by a combination of the personal relationships built up with business counterparts, as well as knowledge about the stability and permanence of the counterpart organization or firm. Introductions by trusted intermediaries should not be underestimated.
- Chinese appreciate the involvement of a senior corporate official in negotiations. The presence of a senior manager is seen as a guarantee of performance, as well as a mark of respect.
- Dinners are an indispensable aspect of deal-making with the Chinese. The party initiating the business transaction will normally host the banquet. A company should not underestimate the importance of details, such as restaurant pricing, ambience, service and the role of the host, at these dinners.
- In the negotiations, price flexibility is considered an important indicator of trust. Packages of product, installation, training, service and technical support should be unbundled and priced individually.
- On occasion, Canadian firms may receive requests for agency fees or kickbacks.
- Chinese tend to mediate the opaque regulatory environment by cultivating personal relations with officials. A good Chinese counterpart should be able and willing to negotiate the regulatory environment on your behalf.
- Chinese are extremely uncomfortable about walking away from a deal. Sudden hardening of terms or impossible demands may be a signal that a deal is not possible; your counterpart may be pushing you to back out. Do not attempt to embarrass your counterpart by calling his bluff. A polite disengagement could be rewarded in the future.

## **Receiving Chinese Delegations and Conducting Business Presentations in Canada:**

- Formal introduction to all members of the delegation is important. Business cards should be exchanged among all members of a delegation and is an essential part of business protocol. You should try to present your business card with both hands to show your respect, especially to the leader of the delegation.
- If possible, have your card translated into Chinese, or at the least, have a Chinese (Mandarin) speaker translate or transliterate your family name into Chinese characters and write it on the card beside your name.
- Make brief welcoming remarks and introduce your staff individually. The delegation will likely do the same.
- When planning the text of your presentations, allow at least equal time for interpretation. Speak clearly with a slightly slower speed and pause after two to three complete sentences to allow the interpreter to provide accurate translation.
- Whenever possible, use maps, charts and overheads to illustrate your essential points. It is very useful to have key ideas translated into Chinese and handed out to the delegation members.
- Written handouts are important — even if the delegation members may not understand them, they will have English speakers in their company translate them after their return.
- When hosting a delegation at a meal, the host should ensure that the most important guest is seated on his or her immediate right and the second most important guest on the left. The interpreter will most likely sit on the immediate right of the head of the delegation.
- Although more dairy products are gaining acceptance in China, it is suggested that cheese, cream sauces, milk and butter be generally avoided if a Western meal is to be selected.

## **Visiting China on Business:**

- Be aware of the significant cultural differences and make an effort to adapt to it in both personal and business interactions.
- Try to understand the intricacies of “guanxi” or personal connections. “Guanxi” could also imply reciprocal exchanges between two parties who have developed this relationship. Be sure to develop your “guanxi” wisely and observe local customs while doing so.
- Recognize the importance of “face” in interpersonal relations. Be deferential to those above you and considerate to those below you by virtue of age or position .
- During business negotiations, emphasize the long-term association a business relationship would be able to bring. Do not rush negotiations with eyes set only on the signing of the contract.
- Chinese often strive for consensus in internal decision making. As consensus often takes time, the Canadian company should learn to adopt the virtues of patience and perseverance.



## Appendix C

# THE CANADA CHINA BUSINESS COUNCIL

The Canada China Business Council (CCBC) is a private sector, non-profit membership organization incorporated in 1978 to facilitate and promote trade and investment between Canada and the People's Republic of China.

Its mandate is to stimulate and support trade in goods and services, investment, and technology transfer; to achieve greater economic growth and closer relationships between Canada and China; to provide practical and focused assistance to business; and to be the voice of the Canadian business community on matters of Canada-China relations, both to governments and to the public at large.

With a corporate and affiliated membership base of over 140 firms, representing a diversified national base of Canadian business, the organization is independent of both the Canadian and Chinese governments. Operating under the direction of a 25-member Board of Directors, the Council maintains a head office in Toronto and a branch office in Beijing, with a branch office in Vancouver opened in March 1994. Day-to-day operations are carried out by a team of 14 China trade professionals and project support staff whose expertise covers export marketing, business consulting, joint venture negotiation, and trade promotion. As well, all offices have research, translation and interpretation capacity.

In China, the CCBC provides the following member services:

- provision of a permanent Beijing representative base to actively market products, technology, and services on behalf of Canadian member companies;
- active participation in technical discussions and

commercial negotiations, provision of post-contract support, and liaison with Chinese buyers and end-users;

- preparation of market surveys for Canadian companies examining the Chinese market from a sales, purchasing, or joint venture standpoint;
- provision of on-site interpretation and translation services for Canadian business executives during negotiations.

In Canada, a CCBC member can obtain the following assistance from the CCBC:

- provision of market intelligence on specific trade and investment opportunities, as well as background information on potential business partners;
- introductions to key Chinese officials visiting Canada through various networking and private forums;
- articulating member interests regarding critical bilateral trade and investment issues through regular liaison with Canadian government agencies;
- access to Canada's only China business magazine, the *Canada China Business Forum*.

For more information on Council services, please contact any of the CCBC offices.

**Toronto Office:** 110 Yonge Street, Suite 802, Toronto, Ontario M5C 1T4; Telephone: (416) 954-3800; Facsimile: (416) 954-3806.

**Vancouver Office:** Suite 2600, 515 West Hastings Street, SFU at Harbour Centre, Vancouver, B.C. V6B 5K3; Telephone: (604) 291-5190; Facsimile: (604) 291-5112.

**Beijing Office:** CITIC Building, Suite 18-2, 19 Jianguomenwai Street, Beijing 100004, China; Telephone: (861) 512-6120, or (861) 500-2255, Extension 1820, 1821, 1822; Facsimile: (861) 512-6125.

## Appendix D

# USEFUL CONTACTS

## Canadian Government Contacts in China

### THE TRADE COMMISSIONER

Trade Commissioners at posts abroad and at International Trade Centres in Canada are able to provide more helpful information on exporting to the PRC. When speaking to a Trade Commissioner, please provide them with the name of your company, address, telephone and facsimile numbers, and a short company profile. Also include a description of the product you wish to sell and list two or three key selling points for your product in the target market. Additional information which will help the Trade Commissioner focus on your export goals include:

- A list of the countries to which you currently export and comment on your successes.
- Describe how you would like to distribute your product (e.g., agents, distributors, direct)
- Describe in detail the characteristics/experience/background that a good agent for your product should have.
- A list of five or six key points about your company that would be of interest to prospective agents (e.g., service support policy, agent training).
- A list of the brand names, company names, city and country of your main competitors.
- Projected sales for the next three years. List key target industry sectors and potential customers in as much detail as possible.

## CANADIAN GOVERNMENT CONTACTS IN CHINA

### 1. CANADIAN EMBASSY, BEIJING

Canadian Embassy, Beijing  
19 Dong Zhi Men Wai Street  
Chao Yang District, Beijing  
People's Republic of China, 10060  
Tel: (011-86-1) 532-3536  
FAX: (011-86-1) 532-4072  
Telex: (85) 22717 (CANAD CN)

The Embassy provides a wide range of services including information on market conditions, business practices and opportunities; specific information on priority sectors in China such as agriculture, forestry, telecommunications, power, mining and petrochemicals; introductions to Chinese government and business contacts; as well as sponsorship of exhibitions and trade missions. Interested potential exporters are encouraged to provide the Embassy with appropriate information on their product, pricing, company literature. Details of any travel plans to China should be provided well in advance.

### 2. CANADIAN CONSULATE GENERAL, SHANGHAI:

#### Shanghai

The Consulate General Of Canada  
American International Centre at Shanghai Centre  
West Tower, Suite 604, 1376 Nanjing Xi Lu  
Shanghai, People's Republic Of China, 200040  
Tel: (011-86-21)279-8400  
FAX:(011-86-21)279-8401  
Telex:(85)33608 (CANAD CN)

The territory covered by Shanghai includes the City of Shanghai, plus the four adjacent provinces of Jiangsy, Zhijiang, Anhui, and Jiangxi. The region has a total population of more than 200 million and produces 22 percent of the national industrial output. East China has traditionally been the most heavily industrialized area of the country. Shanghai, in particular, supported by recent central government policy initiatives has embarked upon

an ambitious long-term program of urban and port revitalization to maintain its position as the national engine of economic development. This process will encompass expansion of export-oriented industries, financial institutions, and major infrastructure projects, including a metro system and thermal power plant, and telecommunications project. Funding in part comes from the Asian Development Bank and World Bank, and opportunities exist for Canadian companies. Jiangsy and Zheijiang have well-developed infrastructures, while Anhui and Jiangxi, the two inland provinces, have traditionally been agriculturally based.

The Consulate maintains an extensive network of contacts throughout the region and can provide quick entrée to industrial and government organizations at both provincial and municipal levels and in all major industrial sectors.

### 3. THE COMMISSION FOR CANADA, HONG KONG:

#### **Hong Kong**

Office of the Commission for Canada

11th -14th Floors, One Exchange Square

8 Connaught Place, Hong Kong, Hong Kong

Tel: (011-852)847-7478

FAX: (011-852)847-7436

Telex:73391

The Commission for Canada in Hong Kong handles trade relations for four South China provinces — Guangdong, Fujian, Guangxi, and Hainan. Hong Kong has a great number of experienced agents who are familiar with both North American and Chinese ways of doing business. The presence of dozens of PRC-controlled trading companies and banks, as well as the fact that most foreign investment in the Special Economic Zones has come from Hong Kong, are good reasons for Canadian companies to consider Hong Kong as a possible gateway to the China market. Many Canadian companies as well as financial institutions have offices in Hong Kong with an eye on China, in addition to the thriving Hong Kong market for goods and services.

## GUANGZHOU

The opening of a trade office in Guangzhou is planned for the latter half of 1994.

## USEFUL ADDRESSES IN CANADA:

**Business Cooperation Branch, Bureau for Asia  
Canadian International Development Agency  
(CIDA)**

200 Promenade du Portage

Hull, Québec

K1A 0G4

Tel: (819)997-7901

FAX:(819)953-5024

**Export Development Corporation**

151 O'Connor Street

Ottawa, Ontario K1P 5T9

Tel: (613)598-2500

Fax:(613)598-2503

Telex:053-4136

**Canadian Commercial Corporation (CCC)**

50 O'Connor Street, 11th Floor

Ottawa, Ontario K1A 0S6

Tel:(613)996-0034

FAX:(613)995-2121

**Canada China Business Council (CCBC)**

Suite 802, 110 Yonge Street,

Toronto, Ontario M5C 1T4

Tel:(416)954-3800

FAX:(416)954-3806

**China Desk**

**East Asia Trade Development Division (PNC)**

Department of Foreign Affairs and International Trade  
(DFAIT)

125 Sussex Drive, Ottawa, Ontario K1A 0G2

Tel: (613) 992-7359

FAX: (613) 943-1068

## INTERNATIONAL TRADE CENTRES

International Trade Centre  
 Scotia Tower  
 900 - 650 West Georgia Street  
 P.O.Box 11610  
 Vancouver, B.C. V6B 5H8  
 Tel: (604) 666-0434  
 FAX: (604) 666-8330

International Trade Centre  
 Confederation Court Mall  
 134 Kent Street, Suite 400  
 P.O.Box 1115  
 Charlottetown, P.E.I. C1A 7M8  
 Tel: (902) 566-7400  
 FAX: (902) 566-7450

International Trade Centre  
 Canada Place  
 9700 Jasper Avenue, Suite 450  
 Edmonton, Alberta T6J 4C3  
 Tel: (403) 495-2944  
 FAX: (403) 494-4507

International Trade Centre  
 The S.H. Cohen Building  
 Room 401, 119 - 4th Avenue South  
 Saskatoon, Saskatchewan  
 S7K 5X2  
 Tel: (306) 975-5315  
 FAX: (306) 975-5334

International Trade Centre  
 8th Floor, 330 Portage Avenue  
 P.O. Box 981  
 Winnipeg, Manitoba  
 R3C 2V2  
 Tel: (204) 983-8036  
 FAX: (204) 983-2197

International Trade Centre  
 4th Floor Dominion Public Bldg  
 One Front Street West  
 Toronto, Ontario  
 M5J 1A4  
 Tel: (416) 973-5053  
 FAX: (416) 973-8161

INTERNATIONAL TRADE CENTRES, CONTINUED

International Trade Centre  
Stock Exchange Tower  
800 Place Victoria Suite 3800  
P.O. Box 247  
Montréal, Québec  
H4Z 1E8  
Tel: (514) 283-8185  
FAX: (514) 283-8789

International Trade Centre  
Assumption Place  
770 Main Street  
P.O.Box 1210  
Moncton, N.B.  
E1C 8P9  
Tel: (506) 851-6452  
FAX: (506) 857-6429

International Trade Centre  
1801 Hollis Street  
P.O.Box 940, Station M  
Halifax, Nova Scotia  
B3J 2V9  
Tel: (902) 426-7540  
FAX: (902) 426-2624

International Trade Centre  
90 O'Leary Avenue  
P.O. Box 8950  
St. John's, Newfoundland  
A1B 3R9  
Tel: (709) 772-5511  
FAX: (709) 772-2373



**MULTILATERAL DEVELOPMENT BANKS**

For information regarding:

The Asian Development Bank  
Commercial Division  
Canadian Embassy  
9th Floor, Allied Bank Centre  
6754 Ayala Avenue  
Makati, Metro Manila  
Philippines 3117  
Tel: (63-2) 815-9536 to 41  
FAX: (63-2) 815-9595

For information regarding:

The World Bank Group  
Counsellor  
Office for Liaison with  
Int'l Financial Institutions  
Canadian Embassy  
501 Pennsylvania Ave. NW  
Washington, DC 20001  
Tel: (202) 682-7719  
FAX: (202) 682-7726  
Telex: (75) 63676 DOMCAN PN)

## Appendix E

# HOTEL INFORMATION FOR MAJOR CITIES

### Beijing:

#### DELUXE (FIVE AND FOUR STAR)

China World Hotel, five-star hotel. Address: No.1, Jianguomenwai Avenue, Da Bei Yao, Beijing. Forty minute drive to Airport, short drive to Canadian Embassy and city centre. Telephone number for sales department: 5052266, reservations: 5052266 x 31 or 5053555. Fax number for sales department: 5050828 / 5053178, reservations: 5054323. Total number of rooms 749. Standard room rate is U.S. \$220 and Canada China Business Council (CCBC) corporate rate is U.S. \$145. 24-hour full service business centre. Complete health club facilities including pool. Several restaurants serving Cantonese, Japanese, French and buffet-style food. Shuttle airport service three-times daily.

Holiday Inn Lido Beijing, four-star hotel. Address: Jichang Road, Jiangtai Road, Beijing. Fifteen minute drive to Airport, 20 minutes to city centre and 15 minutes to Canadian Embassy. Shuttle bus to downtown 16 times a day free and 8 times to Airport at charge of FEC 15/one way/per person. Telephone number for sales department: 4376688 x 2877, reservations: 4376688 x 613. Same fax number for sales department and reservations: 437 6237 / 4376540. Total number of rooms 1,000 not including apartments. Standard room rate is U.S. \$75 and CCBC corporate rate is U.S. \$60. Twenty-four hour full service business centre. Health/recreational club has pool, sauna and bowling. Several restaurants serving Southeast Asian, Chinese and Italian food.

Hotel Beijing-Toronto (Jinglun), four-star hotel.

Address: 3, Jianguomenwai Da Jie, Beijing. Next to Jianguo Hotel. Telephone number for sales department: 5002266 x 8129/ 8131 and for reservations: 5002266 x 8143/8144. Same fax number for sales department and reservations: 5002022/5002849. Standard room rate is U.S. \$120 and CCBC corporate rate is U.S. \$95. Full-service business centre open from 7 am to 11 pm. Recreational facilities include indoor swimming pool, indoor mini golf, billiard room and Karaoke club. Several restaurants serving Cantonese, Singapore, Japanese and Western food. Shuttle airport service three-times daily.

## SUPERIOR (THREE STAR)

Beijing Asia Hotel, three-star hotel. Address: 8, Xinzhong Xi Jie, Gongti Bei Lu, Beijing. Near Workers' Stadium and within short distance of city's diplomatic quarters. Thirty-minute drive to Airport, 15-minute drive to Beijing Railway Station, and 5-minute walk to nearest subway station. 298 rooms with seasonal rates: U.S. \$49 for winter, U.S. \$63 for peak period and U.S. \$56 for normal period. Telephone number: 01-5007788, fax number: 01-5008091. Business centre fully equipped. 6 conference rooms. Beauty salon, barber shop, car park, shopping arcade, health club, rental office and tour desk also available. Several restaurants serving Chinese, Korean and fast food.

Novotel Beijing, three-star hotel in Beijing centre. Address: 88, Dengshikou, Dongcheng District, Beijing. Short walk to Forbidden City, Palace Museum and Tian'anmen Square. Telephone number: 86-1-5138822, fax number: 861-5139088. 310 guest rooms and suites furnished with air conditioning and central heating, mini bar, IDD, colour TV. Price for standard room U.S. \$55-\$60. Business centre is well equipped with computer, fax and copier. Secretarial and translation service available. Fitness centre has steam bath, sauna and gym. Several restaurants serving Thai, Cantonese and international food.

## SHANGHAI

### DELUXE (FIVE STAR AND FOUR STAR)

Portman Shangri-La, five-star hotel. Address: 1376, Nanjing Xi Lu, Shanghai. Close to Shanghai Exhibition Centre, 45 minutes to the Airport and only a few minutes from the Canadian Consulate General. Both sales department and reservations department can be reached through switch board at 021-2798888. Fax number for sales is 021-2798887 and for reservations 021-2798999. Standard room rate is U.S. \$170 and CCBC corporate rate is U.S. \$136. Fitness centre has swimming pool, tennis, squash, indoor golf and sauna. 24 hour full-service business centre. Post office and DHL counter. Ticket office for major international airlines. Restaurants serving Chinese, Japanese, Thai and Western food. Shuttle airport service 6-times daily.

Hotel Sofitel Hyland Shanghai, four-star hotel not far from city centre. Address: 505, Nanjing Road East, Shanghai. Telephone number for sales department: 021-3205888 x 4469 and for reservations: 021-3205888 x 4285 or 021-3207439. Fax number for sales department: 021-3204088 and for reservations: 021-3207762.

Fitness centre has sauna, Jacuzzi, massage and gym. Business centre open from 7 am to 11 pm with moderate facilities such as copier, fax machine and personal computer. Airport shuttle bus picks up guests coming from Hong Kong only. Restaurants serving Shanghainese, Cantonese and Western food.

### SUPERIOR (THREE STAR)

Dong Hu Hotel, three-star hotel in the centre of the city. Address: 167 Xindonglu, Shanghai. Telephone for sales and reservations through operator at 021-436518 or 021-4344679 and fax number is 021-4331275. Two business centres equipped with fax machine, telex, cable and photocopier open from 8 am to 10 pm. Typing,

courier and mail service also available. Fitness centre has swimming pool, tennis, chess room. Restaurants serving Cantonese and Sichuan food.

International Hotel, three-star hotel in city centre. Address: 170 Nanjing Xi Lu, Shanghai. Telephone for sales and reservations through operator: 021-3275225, fax number: 021-3276958. Business centre equipped with fax machine, telex and copier open from 8 am to 11 pm. Shuttle airport service 3 times a day. Restaurants serving Beijing, Cantonese, and Western food.

## SHENZHEN

### DELUXE (FIVE STAR AND FOUR STAR)

Shangri-La Hotel (in Shenzhen), five-star hotel. Address: East side, Railway Station, Jianshe Road, Shenzhen. Close to city centre. Free shuttle bus between Railway Station and the hotel. The telephone number for sales department is (86-755) 2230888, for reservations (86-755) 2250585. Fax number for sales department is (86-755) 2203120/2250511. Fully-equipped business centre open from 8 am to 10 pm. Fitness facilities include outdoor pool, sauna, steam room, Jacuzzi, massage and gym. Restaurants serving buffet, Cantonese and Asian food. Gift shop, beauty salon & shopping arcade within the hotel premises.

Shenzhen Sunshine Hotel, five star hotel in the centre of the city. Address: 1 Jia Bin Road, Shenzhen. One hour drive to the Airport. Sales Department can be reached through operator at 0755-2233888. Fax number is 0755-2226719. Business centre open from 8 am to 10 pm with fax, telex, copying, typing and mail service. Restaurants serving Cantonese, Chaozhou (local) and Western food.

### SUPERIOR (THREE STAR)

Bamboo Garden Hotel, three-star hotel close to the city. Address: 29 Dongmen Bei Lu, Shenzhen. Telephone

number for sales and reservations through operator at 0755-5533138, and fax number: 0755-5534835. Business centre open from 8 am to 10 pm with fax, copier, telex, typing and courier service. Fitness centre has table tennis, bowling, sauna etc. Restaurant serving Sichuan, Cantonese, Chaozhou and French food.

City Hotel, three-star hotel in the city centre. Address: 2, Wenjin Lu, Shenzhen. Forty-five minute drive to the airport. Telephone for sales & reservations: 0755-2227860; fax number: 0755-2222765. Business centre open from 8 am to midnight with copying, typing, translation, mailing, courier and secretarial services. Shuttle to train station every hour. Fitness centre has sauna, squash and swimming pool. Restaurant serving local and Western food.

## GUANGZHOU

### DELUXE (FIVE AND FOUR STAR)

Garden Hotel Guangzhou, five-star hotel in city centre. Address: 368, Huan Shi Dong Lu, Guangzhou. Twenty-five minutes to the airport and 5 minutes to the train station. Telephone for sales and reservations through operator at 020-3338989. Fax for sales: 020-3324539. Business centre offers 24 hour full service. Bank of China branch and travel agency on premises. Fitness centre has swimming pool, sauna, bowling, tennis and squash. Shuttle service to airport and train station. Beauty salon, parking and child day care also available. Restaurants serving Cantonese, Sichuan, Beijing and Western food.

### SUPERIOR (THREE STAR)

Aiqun Hotel, three-star hotel. Address: 113 Yan Jiang Xi Lu, Guangzhou. Tel: 020-8866668, fax: 020-8883519. Business centre open 9 am to midnight. Restaurants serving Cantonese and Chaozhou food. There is a coffee shop.

Holiday Inn City Centre Guangzhou, three-star hotel in city centre, 20 minutes to the airport by taxi.

Address: 28 Guangming Lu, Overseas Chinese Village, Huanshi East, Guangzhou. Telephone: 020-7766999 for reservations and 020-7760154 for business centre, fax: 020-7753126. Business centre offers 24 hour full service. Entertainment facilities include theatre. Shuttle service to train station. Restaurants serving Cantonese, Chaozhou and Western food.

Note: Hotel rates quoted here do not include 15 percent service charge and one (1) U.S. dollar per day room tax to Beijing Government as a construction fee. This is subject to change without notice.

\*\*\* Hotel information has been collected and compiled by the Beijing Office of the Canada China Business Council (CCBC).

## Appendix F

# GLOSSARY OF TERMS

- CIDA** Canadian International Development Agency
- CITC** China International Trade and Investment Corporation
- CNNC** China National Nonferrous Metals Industry Corporation
- Compensation Trade** A joint venture where the foreign (Canadian) partner accepts a certain percentage of the produced goods, for export sale only, as return on the investment of money or expertise in China.
- EDC** Export Development Corporation
- DFAIT** Canada's Department of Foreign Affairs and International Trade
- Five-Year Plan** The economic plan and forecast produced twice per decade by the Chinese Government. The First Five-Year Plan was made for the period 1956-61 by the then-newly formed Communist Party.
- FTC** Foreign Trade Corporation (several exist in China)
- Greenfield (Project)** New projects, especially those involving new factories or plants
- INC** Industrial Cooperation Programme through CIDA
- MFN** Most favoured nation
- MMI** Ministry of Metallurgical Industry (of China)
- PRC** People's Republic of China
- RMB** Renminbi, currency of the PRC
- SEZ** Special Economic Zone
- TPA** Tons per Annum



# Appendix G

## CANADIAN COMPANIES IN CHINA

### A.H. Lundberg Equipment Ltd.

Room 1561, Office Tower  
New Century Hotel  
No. 6 Southern Road  
Capital Gym  
Beijing, 100046  
Tel: 849-2170  
FAX: 849-2171  
Rep. Mr. Paul Choi

### A.H. Lundberg Equipment Ltd.

Bldg. 5, Hong Qiao Villa  
1900 Hong Qiao Road  
Shanghai, 200335  
Tel: 242-8572, Ext. 5005  
FAX: 242-6688  
Rep: Mr. Paul Choi

### Asianada International Group Ltd.

Suite 20203, Beijing Friendship Hotel  
3 Baishiqiao Lu  
Beijing, 100873  
Tel: 849-8888, Ext. 20264  
FAX: 849--9406  
Rep. Mr. Henry Wang

### Babcock & Wilcox Ltd.

Ba Jiao Cun, Shijingshan District  
P.O. Box 4354  
Beijing, 100043  
Tel: 886-2244  
Telex: 22083 BBW CN  
FAX: 886-1336  
Rep: David KW Lee  
Mr. Ron Hurst

### Bank of Montreal

Scite Tower, Suite 707  
No. 22 Jianguomenwai Ave.  
Beijing, 100004  
Tel: 512-3441  
Telex: 211109 BMBJ CN  
FAX: 512-3442  
Rep.: Roger K.K. Heng

### Bank of Montreal

Room 2603, North Tower  
Guangzhou World Trade Centre  
No. 371-375 Huan shi Lu  
Guangzhou, Guangdong  
510065  
Tel: (86-20) 778-1982  
FAX: (86-20) 778-4893  
Rep: Roger Heng

### The Bank of Nova Scotia

Suite 1205-06  
China World Trade Centre  
No. 1 Jianguomenwai Ave.  
Beijing, 100004  
Tel: 505-0552  
505-0553, Ext. 1205  
Telex: 20443 BNSBK CN  
Rep: Mr. Guo Bo Hua

### The Bank of Nova Scotia

Unit 2206, North Tower  
Guangzhou World Trade Centre  
371-375 Huan Shi Dong Road  
Guangzhou, Guangdong  
Tel: (86-20) 778-2478  
FAX: (86-20) 777-0438  
Rep: Mr. Kenneth Lam

### Beijing Xinghua Lubetec

Chemical Products Co Ltd  
Room 202, 201, No. 8  
Huixindongjie  
Chaoyang District  
Beijing, 100029  
Tel: 422-3331, Ext. 170  
FAX: 422-3331, Ext. 185  
Rep: Shi Kang Lei

### Bombardier

c/o Boeing China Inc.  
Beijing Hotel, Room 1715  
Beijing  
Tel: 513-8545  
513-7766, Ext. 1715  
Telex: 22426 BHCTL CN  
FAX: 513-7842, Ext. 171  
Rep: Ms. Linda Tsui

**Brachman McKay U.S.A. & Canada Information Centre**  
Suite 1530, Beijing New Century Hotel  
6 Southern Road, Capital Gym  
Beijing  
Tel: 849-1366  
FAX: 849-1365  
Rep: Mary Huang

**Brimeland Co Ltd.**  
Ji Men Hotel, Room 324  
Hai Dian District  
Xue Yuan Lu, Huang Ting Zi  
Beijing  
Tel: 201-2211  
Telex: 222325 JMH CN  
FAX: 201-5355  
Rep: Mr. Edward Choi

**Brimeland Co Ltd.**  
Rui Jin Building, Room 1906  
205 Mao Ming Nan Lu  
Shanghai  
Tel: 433-1518/433-3874  
Telex: 33919 BTHRD CN  
FAX: 433-1482  
Rep: Mr. David Chow

**Brimeland Co Ltd.**  
Hyatt Tianjin, Room 608  
Jie Fang Road, North  
Tianjin,  
Tel: 310-021  
Rep: Mr. Yu Ihi Fei

**Brownies**  
Beijing Brownies Food Ltd.  
24 Jian Wai Da Jie  
Beijing, 100022  
Tel: 515-8902/515-0133  
FAX: 515-0103  
Rep: Mr. Ward Rogers

**C-Tran Development Inc.**  
Room 706, Chang Fu-Gong  
Office Building  
Jianguomenwai Avenue  
Beijing, 100022  
Tel: 513-9221/513-0812  
Telex: 22406 SAICI CN  
FAX: 513-7656  
Rep: Mr. Peter Wong

**Canada China Business Council**  
Suite 18-02, CITIC Building  
19 Jianguomenwai Avenue  
Beijing, 100004  
Tel: 512-6120/500-2255,  
Ext. 1820/1822  
Telex: 22929 CCTC CN  
FAX: 512-6125  
Rep: Mr. Luc Desmarais  
Ms. Nancy Lu

**Canadian Airlines International**  
Jianguo Hotel, Room 135  
No. 5 Jianguomenwai Avenue  
Beijing, 100020  
Tel: 500-3950/500-1956  
Telex: 210313 JGH BJ  
FAX: 500-2871  
Rep: Mr. Grant Oddleifson

**Canadian Fracmaster Ltd.**  
15th Floor, Shengli Hotel  
3 Bai Sha Tan,  
Changping Lu  
Deshengmen Wai  
Beijing, 100083  
Tel/FAX: 203-1116  
203-1083  
Rep: Mr. Joe Guo

**Canadian Imperial Bank of Commerce**  
International Club, Room  
201/202  
Beijing, 100004  
Tel: 532-3164  
Telex: 22623 CIBCB CN  
FAX: 532-5385  
Rep: Mr. Guo Zhong Hua

**Canadian Services Ltd.**  
Room 1111, Beijing Hotel  
Beijing, P.R.C. 100004  
Tel: 513-7766, Ext. 1111  
Telex: 22426 BHCTL CN  
FAX: 513-7842  
Rep: S. C. Hoi

**Canadian Press**  
6-2-82 Ta Yuan Building  
Beijing.  
Tel: 532-4529  
Rep: Ms. Jennifer Clibbon

**Canspec Group Inc.**  
Room 1402, Building B.  
Haiyuan International Apt.  
Asian Games Village  
Beijing  
Tel: 499-1348  
Rep: Mr. Wang Xun

**CBC National Television News**  
7-1-53 Jianguomenwai  
Beijing, 100020  
Tel: 532-1510 (office)  
532-3754 (home)  
Telex: 22309 NORBC  
FAX: 532-4823  
Rep: Mr. Patrick Brown,  
Correspondent

**CGE**  
c/o General Electric  
International Club  
Beijing  
Tel: 532-5888/532-2491  
Telex: 210153/20449 GETSC  
CN  
FAX: 512-7345  
Rep: Mr. Sheldon Tse

**China Alberta Petroleum Centre  
(CAPC)**  
15th Floor, Shengli Hotel  
3 Bai Sha Tan, Changping Lu,  
Deshengmen Wai  
Beijing, 100083  
Tel: 203-1116  
FAX: 203-1083  
Rep: Mr. Norm Spice

**Canadian Industrial  
Consortium Inc. (CIC)**  
Rm. 810, Beijing Lufthansa  
Centre Offices  
No. 50 Liangmaqiao Road  
Chaoyang District  
Beijing, 100016  
Tel: 465-1603/1605  
FAX: 465-1609

**Combustion Engineering of  
Canada Ltd.**  
c/o Combustion Engineering Inc.  
CITIC Bldg., Room 1601  
19 Jian Guo Men Wai Da Jie  
Beijing  
Tel: 500-2255, Ext. 1610-2  
Telex: 22373 CEBEJ CN  
FAX: 512-6860  
Rep: Mr. Liu Tong

**CTV**  
7-2-61 Jianguomenwai Ave.  
Beijing  
Tel: 532-2605 (office)  
532-2582 (home)  
Rep: Miss D. Bishop

**Degremont Water Treatment**  
Room 1804, Landmark Bldg.  
8 North Dongsanhuan Road  
Chaoyang District  
Beijing, 100004  
Tel: 500-6047/501-3528  
FAX: 501-3529  
Rep: Mr. Thierry Witkowicz

**Flannery & Associates Inc.**  
Room 506, Kunlun Hotel  
Beijing, 100004  
Tel: 500-3388, Ext. 506  
FAX: 500-3228, Ext. 506  
Rep: Ms. Jennifer Fang

**Fluor Daniel Canada Inc.**  
c/o Fluor Daniel China Inc.  
Room 2402, Landmark Bldg.  
8 North Dongsanhuan Rd.  
Chaoyang District  
Beijing, 100004  
Tel: 506-8015  
Telex: 22810 FLRBJ CN  
FAX: 506-8024  
Rep: Ms. Julie W. Hsu

**Fort Trade & Development  
Corp. Ltd.**  
Room 320, Dong Feng Hotel  
Shanghai, 200002  
Tel: 321-8060, Ext. 320  
Telex: 3231684  
Rep: Ms. Kathleen Ma

**Fountainhead Enterprises Corp.**  
Room 1608, Xuan Wu Hotel  
Nanjing, 210009  
Tel: 303-8888  
FAX: 639-624  
Rep: Daniel Sang Poon

**Fushen Conspec Control Co. Ltd.**

A6-4-6 Sinxth Main Street  
TEDA (Tanggu)  
Tianjin, 300457  
Tel: (022) 989-003, 989-165/  
164

Telex: 237153 TFCC CN  
FAX: (022) 989-049  
Rep: Mr. Zhang Dianwu

**Globe and Mail**

2-2-32 Ta Yuan  
Beijing  
Tel: 532-1661 (office)  
532-2497 (home)  
Rep: Ms. Jan Wong,  
Correspondent

**Golden Dragon Holiday (Service) Co.**

Room 1141, Garden Hotel  
Guangzhou, 510064  
Tel: 338-989, Ext. 1141  
Telex: 44788 GDHTL CN  
Rep: Cheng Fung Ru

**International Geosystems Corp.**

12 Fuxing Ave  
Beijing  
Tel: 367-231, Ext. 321  
Telex: 222213 GENI CN

**Intercedent**

Suite 14-B,C, CITIC Bldg.  
19 Jianguomenwai Street  
Beijing, 100004  
Tel: 500-7470  
500-2255, Ext. 1462/1469  
FAX: 500-7474  
Rep: Mr. Willy T. Wang  
Mr. John Gruetznier

**Intercedent**

Room 401, Finance Bldg.  
18 Hongjunjie  
Harbin, P.R.C.

**Joe Ng Engineering Ltd.**

Ste. 22-A, CITIC Bldg.  
19 Jianguomenwai St.  
Beijing, 100004  
Tel: 500-2255, Ext. 2261/2268  
Fax: 500-6419

**Kanamara Marketing Ltd.**

Garden Office Tower  
Garden Hotel, Room 1030  
Guangzhou, 510064  
Tel: 338-989, Ext. 1030  
Rep: Al Dow

**Klockner Stadler Hurter Ltd.**

CITIC Bldg., Room 2501  
Beijing  
Tel: 500-2255, Ext. 2512/500-  
3697  
Telex: 22419 KLOCK CN  
FAX: 500-4932  
Rep: Mr. C.K. Quek

**Lamko Tool & Mold Consulting Co. Ltd.**

Xie Xia Zhong Xing Industry  
Area  
Huizhou, Guangdong  
Tel: 260-804  
Rep: Yu San Hong

**Macro Engineering & Technology Inc.**

Ste. 308, Kuniun Hotel  
Beijing 100004  
Tel: 500-3388, Ext. 308 or 2572  
FAX: 500-3228  
Rep: Mr. Shi Weiguang

**Maloney Asia Ltd.**

Ste. 805, CITIC Bldg.  
19 Jianguomenwai Ave.  
Beijing, 100004  
Tel: 512-0679  
500-2255, Ext. 3850  
FAX: 501-6896  
Rep: Ms. Cindy Liang

**Manufacturers Life Insurance Company of Canada**

Room 1629, Beijing Hotel  
33 East Chang An Avenue  
Beijing, 100004  
Tel: 513-7766, Ext. 1629  
FAX: 513-7766, Ext. 6856  
Rep: Mr. Cyprian Au  
Mr. Zhang Senfu

**Manulife**

Suite 1719, UTC Plaza  
 Shen Nan Zhong Road  
 Shenzhen, Guangdong 518031  
 Tel: (755) 33510000-1719  
 FAX: (755) 669-3182  
 Rep: Guo Yang

**Newbridge Technical Services Centre**

Rep: Mr. Roger Fung  
 (Address not established)

**Nonfemet Intl. Aluminium Co. Ltd.**

Ma Jia Long, No. 2  
 Industrial Development Village  
 Nantou District  
 Shenzhen  
 Tel: 669-242/3, 669-569/70/71  
 Telex: 423050 NFMSA CN  
 FAX: 669-242  
 Rep: Mr. HC (Hing) Mung  
 (Alcan Nikkei China Limited  
 Plant in Shenzhen)

**Nonfemet International Aluminium Co. Ltd.**

Kai Hong Industrial  
 Development Village  
 Nanshan District  
 Shenzhen, Guangdong  
 Tel: (755) 661-1243  
 FAX: (755) 661-1242  
 Rep: Yao Rui Hong

**Northern Telecom International Ltd.**

3rd Floor, Office Tower  
 China World Trade Centre  
 No. 1 Jianguomenwai Ave.  
 Beijing, 100004  
 Tel: 505-3535  
 FAX: 505-3544  
 Rep: Mr. James Zhao

**Noweco Well Service**

Rep: Mr. Ian Fraser  
 (Address not established)

**Novel Energy (North America) Ltd.**

Ste. 1108, Huiyuan Apts., Block J  
 Asian Games Village  
 Beijing, 100101  
 Tel/Fax: 499-2182  
 Rep: Mr. William Wang

**Onyx Computers (Inc)**

Scite Tower, Ste. 601  
 No. 22 Jianguomenwai Ave.  
 Beijing 100004  
 Tel: 512-2288, Ext. 5601  
 Tel/Fax: 512-7505  
 Rep: Mr. Allen Zhu

**P.&M.China Trade Consultant Ltd.**

Room 71233, Friendship Hotel  
 No. 3 Bai Shi Qiao Lu  
 Beijing 100873  
 Tel: 849-8888  
 Telex: 22696  
 Rep: Huang Xinxin

**Pratt & Whitney Canada Ltd.**

c/o United Technologies  
 International  
 Capital Airport  
 Beijing  
 Tel 456-1846/ 456-1847  
 Telex: 222929 PWB CN  
 22922 UTIBJ CN  
 FAX: 456-1848  
 Rep: Mr. Robert Wu

**Propak Systems Ltd.**

12-3-7 Nan Shagou  
 Xicheng District  
 Beijing 100045  
 Tel: 852-2527  
 FAX: 849-8142

**Rogers Fast Food Restaurant**

3-1 Zumaio Road  
 Foshan, Guangdong 528000  
 Tel: (757) 229-7225, 228-7492  
 FAX: (757) 229-7196  
 Rep: K.W. Rogers

**Royal Bank of Canada**

Ste. 618-620  
China World Trade Centre  
China World Trade Tower  
No. 1 Jianguomenwai Ave.  
Beijing, 100004  
Tel: 505-0358  
Telex: 22586 ROYBJ CN  
FAX: 505-4206  
Rep: Mr. Jack Zhao

**The Royal Bank of Canada**

Hotel Equatorial, Shanghai  
65 Yanan Road West  
Shanghai 200040  
Tel (21) 279-1688, Ext. 7625/  
26  
FAX: (21) 253-9564

**The Royal Bank of Canada**

1208 East Block  
Internatinal Commercial Bldg.  
Shenzhen, 518006  
Tel: 228-826  
Rep: Mr. Jim Tse

**Scintrex**

China National Geological  
Technology Development and  
Import & Export Co.  
1503A Guangming Bldg.  
Beijing, 100016  
Tel: 467-4491  
FAX: 467-7683  
Rep: Mr. Frank Siegel

**Shanghai Seagram Ltd.**

2 Nanya Lu, Minghang  
Ecomomic and Technological  
Area  
Shanghai, 200240  
Tel: 430-2880  
FAX: 430-2860  
Rep: Mr. Philip Leung

**Shenzhen Harris Telecom Co.  
Ltd.**

10/F., East No. 2 Tongjian Bldg.  
Shen Nan Zhong  
Shenzhen, 518031  
Tel: (755) 331-0769  
FAX: (755) 336-4693  
Rep: Pierre Bernier

**Sino-Can Industrial Supply  
Company**

Landmark Towers, Room 555  
Chao Yang District  
Beijing 100004  
Tel: 501-6688, Ext. 555  
FAX: 501-3513  
Rep: Mr. A.J. Merritt

**SNC-Lavalin International Inc.**  
China World Trade Centre, Ste.  
2325

No. 1 Jianguomenwai Avenue  
Beijing 100004  
Tel: 505-2175/2176  
Telex: 211128 LAVCN CN  
FAX: 505-1250  
Rep: Mr. Fan Lu Jiang

**Spar Aerospace Ltd.**

China World Trade Centre, Ste.  
3309  
No. 1 Jianguomenwai Avenue  
Beijing, 100004  
Tel: 505-0178/0179  
505-2288, Ext. 3309  
FAX: 505-0180  
Rep: Mr. Daniel Drouin

**Sterling Pulp Chemical Ltd.**

Kunlun Hotel, Room 605  
No. 2 Xin Yuan Nan Lu  
Chaoyang District  
Beijing 100004  
Tel: 500-3388, Ext. 605  
FAX: 500-3228, Ext. 605  
Rep: Sun Bao Zuo

**Tradeglobe Consulting Ltd.**

Import & Export Inc.  
Landmark Towers, Room 1983  
8 North Dongsanhuan Road  
Chaoyang District  
Beijing  
Tel: 506-6560/6561/6562  
501-6688, Ext. 21983  
Telex: 20028 YJHTL CN  
Rep: Mr. Wang Yi Wei

**TDQ (ThermoDesign Engineering- Daqing JV) International Group Ltd.**  
Room 11708, No.1 Sanlihe Road  
Xi Yuan Hotel  
Beijing, 100046  
Tel: 422-9671/4875  
FAX: 831-4577/422-9670  
Rep: Mr. Liu Shiwu

**Tong Guang Nortel Ltd. Liability Co.**  
Chiwan Road  
Shekou Shenzhen  
P.O Box Shekou 186  
Tel: (755) 669-3039  
FAX: (755) 669-3742  
Rep: Jack Miao

**United Canada Champignons (Yingkou) Inc.**  
Baiyuquan Yingkou Export Processing Zone  
Yingkou, Liaoning  
Tel: 4175-1701  
FAX: 4175-1713  
Rep: Mr. Ikyong Kim

**Upsilon Estate International Inc.**  
No. 2 Xin Zhong Jie  
Xin Zhong Bldg.  
3F Dong Cheng District  
Beijing  
Tel: 501-9837  
FAX: 501-9836  
Rep: Ms. Lillian Wang

**Upsilon Estate International Inc.**  
Huan Dao Group Bldg.  
No. 25 Ren Min Da Dao  
Haikou, Hainan  
Tel: (0898)258-558, 259-068, 795-049  
FAX: (0898)241-0050  
Mobile Tel: 908-6242

**Upsilon Estate International Inc.**  
Blk 4, 4/F, 5/F Wei Tong  
Jian Lou, Luo Hu Qu  
Yan He Bei Lu, Shenzhen

**Upsilon Estate International Inc.**  
No. 10 Bldg., Unit 509, 510, 512  
Chang Ching Road  
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Tel: (0779) 339-436/ 339-435  
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**WEX Medical Corporation**  
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Nationalities (Minzu) Hotel  
Beijing, 100046  
Tel: 601-4466, Ext. 2701, 2702, 2773/  
601-7223  
FAX: 601-4466, Ext. 2773

**Wing Kuen Holdings Ltd.**  
127, Guangta Lu  
Guangzhou, 510180  
Tel: 861-387  
Rep: Mr. Yong Quan

**Xenexi Building Products Industries Ltd.**  
Forum Hotel Shenzhen, Suite 533  
67 Heping Road  
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Tel: (755) 558-6333, Ext. 533  
FAX: (755) 556-1700  
Rep: Steven H. Wan

**YK Shipping International Canada Ltd.**  
21st Century Hotel  
Room 2020  
40 Liang Ma Qiao Lu  
Chao Yang District  
Beijing 100016  
Tel: 466-3311, Ext. 2020/2019  
FAX: 466-4805  
Rep: Mr. Sun Zhong Qui

**Zhong Jia Fruit and Vegetable Co. Ltd.**  
Room 412, Xidan Hotel  
No. 1 Da Mu Cang Bei Yi Xiang  
Xidan District  
Beijing  
(BC Fruit JV company)



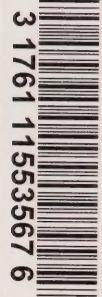






Department of Foreign Affairs  
and International Trade





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